

October 2020

Nesika Beach-Ophir Water District/2858  
Oregon Public Employees Retirement System

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2019. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2021. Information to assist you in preparing your required financial reporting disclosures under Statement 68 and Statement 75 of the Governmental Accounting Standards Board (GASB) will be provided separately by PERS and is not included in this report.

This report reflects the System's benefit provisions in effect as of December 31, 2019, including Senate Bill 1049 which was enacted in June 2019. The report also reflects the Tier 1/Tier 2 reamortization provisions of Senate Bill 1049. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

**If you have any questions about this report, please contact [actuarial.services@pers.state.or.us](mailto:actuarial.services@pers.state.or.us).**

## **Contents of Report**

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

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

Additional information is provided in the system-wide actuarial valuation report, which is available at [www.oregon.gov/PERS/Pages/Financials/Actuarial-Financial-Information.aspx](http://www.oregon.gov/PERS/Pages/Financials/Actuarial-Financial-Information.aspx).

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Nesika Beach-Ophir Water District/2858

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in October 2019.

The actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2021 to June 2023 for System employers. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and with our understanding of the System benefit provisions described in the appendices of this report. Determinations for other purposes may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



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Nesika Beach-Ophir Water District/2858

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

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

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

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. Assumptions related to the healthcare trend (cost inflation) rates for the RHIPA program discussed in this report were determined by Milliman actuaries qualified in such matters.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

Matt Larrabee, FSA, EA, MAAA  
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

Scott Preppernau, FSA, EA, MAAA  
Principal and Consulting Actuary



# **ACTUARIAL VALUATION REPORT DECEMBER 31, 2019**

## **OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

STATE AND LOCAL GOVERNMENT RATE POOL

Nesika Beach-Ophir Water District -- #2858

October 2020

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# Executive Summary

Milliman has prepared this report for Nesika Beach-Ophir Water District to:

- Provide summary December 31, 2019 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2021 through June 30, 2023, and
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2019.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2019 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nesika Beach-Ophir Water District.

# Executive Summary

## Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2021 through June 30, 2023 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

### ***Employer Rates Effective July 1, 2021 for Nesika Beach-Ophir Water District***

|                                                  | Payroll           |                         |               |                 |               |
|--------------------------------------------------|-------------------|-------------------------|---------------|-----------------|---------------|
|                                                  | Tier 1/Tier 2     |                         |               | OPSRP           |               |
|                                                  | Default           | Optional Separate Rates |               | General Service | Police & Fire |
|                                                  | All T1/T2 Payroll | General Service         | Police & Fire |                 |               |
| <b>Pension</b>                                   |                   |                         |               |                 |               |
| Normal cost rate                                 | 12.67%            | 12.67%                  | 20.28%        | 8.64%           | 13.00%        |
| Tier 1/Tier 2 UAL rate <sup>1</sup>              | 12.60%            | 12.60%                  | 12.60%        | 12.60%          | 12.60%        |
| OPSRP UAL rate                                   | 1.69%             | 1.69%                   | 1.69%         | 1.69%           | 1.69%         |
| Pre-SLGRP pooled liability rate                  | 0.00%             | 0.00%                   | 0.00%         | 0.00%           | 0.00%         |
| Transition liability/(surplus) rate <sup>2</sup> | (3.54%)           | (3.54%)                 | (3.54%)       | (3.54%)         | (3.54%)       |
| Side account rate relief <sup>2</sup>            | 0.00%             | 0.00%                   | 0.00%         | 0.00%           | 0.00%         |
| Member redirect offset <sup>3</sup>              | (2.45%)           | (2.45%)                 | (2.45%)       | (0.70%)         | (0.70%)       |
| <b>Net employer pension contribution rate</b>    | <b>20.97%</b>     | <b>20.97%</b>           | <b>28.58%</b> | <b>18.69%</b>   | <b>23.05%</b> |
| <b>Retiree Healthcare</b>                        |                   |                         |               |                 |               |
| Normal cost rate                                 | 0.05%             | 0.05%                   | 0.05%         | 0.00%           | 0.00%         |
| UAL rate                                         | 0.00%             | 0.00%                   | 0.00%         | 0.00%           | 0.00%         |
| <b>Net retiree healthcare rate</b>               | <b>0.05%</b>      | <b>0.05%</b>            | <b>0.05%</b>  | <b>0.00%</b>    | <b>0.00%</b>  |
| <b>Total net employer contribution rate</b>      | <b>21.02%</b>     | <b>21.02%</b>           | <b>28.63%</b> | <b>18.69%</b>   | <b>23.05%</b> |

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

<sup>1</sup> Includes Multnomah Fire District #10 rate and any impact of rate collar developed on page 42 of the system-wide actuarial valuation report.

<sup>2</sup> The transition liability/(surplus) rate and side account rate relief shown may be reduced such that the net pension contribution rate does not go below 0.00%.

<sup>3</sup> Redirected member contributions under Senate Bill 1049 (2.50% of payroll for Tier 1/Tier 2 and 0.75% of payroll for OPSRP) will offset employer contribution rates. Redirect does not apply to members with monthly pay below a threshold. The values shown in the table incorporate an estimate of the effect of this limitation.

# Executive Summary

## Employer Contribution Rates (continued)

### ***Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2023 to June 2025 Biennium***

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2023, which will depend on the funded status as of December 31, 2021. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2019 is 71%.

| <b>Funded Status as of December 31, 2021</b>                 | <b>70% to 130%</b> | <b>Under 60% or Over 140%</b> |
|--------------------------------------------------------------|--------------------|-------------------------------|
| 2021-2023 Tier 1/Tier 2 Normal Cost + Tier 1/Tier 2 UAL Rate | 28.08%             | 28.08%                        |
| Minimum 2023-2025 Rate                                       | 22.46%             | 16.84%                        |
| Maximum 2023-2025 Rate                                       | 33.70%             | 39.32%                        |

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



# Executive Summary

## Accounting Information

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

## *Pension*

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

## *Retiree Healthcare*

In June 2015, the GASB issued Statement 75 (GASB 75), which replaced Statement No. 45 and governs employer financial reporting for retiree healthcare obligations for fiscal years beginning after June 15, 2017. In general, the changes required by GASB 75 parallel those that occurred for pension reporting when GASB 68 replaced GASB 27. Accounting information for reporting under GASB 75 will be provided separately and is not included in this report.

# Executive Summary

## Principal Valuation Results

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

### *Nesika Beach-Ophir Water District*

|                                                  | Actuarial Valuation as of |                   |
|--------------------------------------------------|---------------------------|-------------------|
|                                                  | December 31, 2019         | December 31, 2018 |
| Allocated pooled SLGRP T1/T2 UAL                 | \$193,123                 | \$208,592         |
| Allocated pre-SLGRP pooled liability/(surplus)   | 0                         | 0                 |
| Transition liability/(surplus)                   | (24,983)                  | (26,814)          |
| Allocated pooled OPSRP UAL                       | 16,871                    | 17,364            |
| Side account                                     | 0                         | 0                 |
| Net unfunded pension actuarial accrued liability | 185,011                   | 199,142           |
| Combined valuation payroll                       | 102,623                   | 96,163            |
| Net pension UAL as a percentage of payroll       | 180%                      | 207%              |
| Pre-SLGRP pooled rate                            | 0.00%                     | 0.00%             |
| Transition rate                                  | (3.54%)                   | (3.67%)           |
| Side account rate relief                         | 0.00%                     | 0.00%             |
| Allocated pooled RHIA UAL                        | (\$2,138)                 | (\$1,410)         |
| Allocated pooled RHIPA UAL                       | \$0                       | \$0               |

In the above exhibit, UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to the combined valuation payroll of the applicable pool. This allocation differs from the proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

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

# Executive Summary

## Principal Valuation Results (continued)

### SLGRP

| (\$ in millions)                                       | Actuarial Valuation as of |                   |
|--------------------------------------------------------|---------------------------|-------------------|
|                                                        | December 31, 2019         | December 31, 2018 |
| Normal cost                                            | \$336.6                   | \$362.9           |
| Tier 1/Tier 2 valuation payroll                        | 2,183.5                   | 2,299.5           |
| Normal cost rate                                       | 15.41%                    | 15.78%            |
| Actuarial accrued liability                            | \$44,122.1                | \$43,149.3        |
| Actuarial asset value                                  | 31,384.1                  | 29,383.7          |
| Unfunded actuarial accrued liability                   | 12,738.0                  | 13,765.6          |
| Funded status                                          | 71%                       | 68%               |
| Combined valuation payroll                             | \$6,768.8                 | \$6,346.1         |
| UAL as a percentage of payroll                         | 188%                      | 217%              |
| UAL rate <sup>1</sup>                                  | 12.60%                    | 14.50%            |
| State and Community College Pre-SLGRP Pooled Liability | \$408.7                   | \$448.8           |
| LGRP Pooled Liability                                  | (174.9)                   | (191.8)           |
| Total Transition Liability                             | (553.5)                   | (602.7)           |
| Tier 1/Tier 2 Active Members                           |                           |                   |
| ▪ Count                                                | 25,581                    | 28,056            |
| ▪ Average Age                                          | 54.2                      | 53.8              |
| ▪ Average Service                                      | 21.9                      | 21.2              |
| ▪ Average Valuation Salary (in dollars)                | \$85,356                  | \$81,963          |
| Tier 1/Tier 2 Dormant Members                          |                           |                   |
| ▪ Count                                                | 15,710                    | 17,150            |
| ▪ Average Age                                          | 57.3                      | 56.7              |
| ▪ Average Monthly Benefit (in dollars)                 | \$1,428                   | \$1,347           |
| Tier 1/Tier 2 Retirees and Beneficiaries               |                           |                   |
| ▪ Count                                                | 89,575                    | 87,579            |
| ▪ Average Age                                          | 72.0                      | 71.7              |
| ▪ Average Monthly Benefit (in dollars)                 | \$2,381                   | \$2,313           |

<sup>1</sup> The December 31, 2019 UAL rate shown for the SLGRP includes 0.14% for Multnomah Fire District #10 (0.14% at December 31, 2018). The City of Portland pays an additional 0.95% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.14% (0.97% and 0.14% respectively at December 31, 2018).

# Executive Summary

## Principal Valuation Results (continued)

### OPSRP

| (\$ in millions)                        | Actuarial Valuation as of |                   |
|-----------------------------------------|---------------------------|-------------------|
|                                         | December 31, 2019         | December 31, 2018 |
| General service normal cost             | \$582.1                   | \$519.9           |
| OPSRP general service valuation payroll | 6,740.9                   | 5,973.4           |
| General service normal cost rate        | 8.64%                     | 8.70%             |
| Police and fire normal cost             | \$119.5                   | \$104.9           |
| OPSRP police and fire valuation payroll | 919.0                     | 802.5             |
| Police and fire normal cost rate        | 13.00%                    | 13.07%            |
| Actuarial accrued liability             | \$8,082.2                 | \$6,738.0         |
| Actuarial asset value                   | 6,190.4                   | 4,783.0           |
| Unfunded actuarial accrued liability    | 1,891.8                   | 1,955.0           |
| Funded status                           | 77%                       | 71%               |
| Combined valuation payroll              | \$11,533.7                | \$10,852.0        |
| UAL as a percentage of payroll          | 16%                       | 18%               |
| UAL rate                                | 1.69%                     | 1.76%             |

# Executive Summary

## Principal Valuation Results (continued)

### Retiree Healthcare

| (\$ in millions)<br><b>RHIA</b>      | <b>Actuarial Valuation as of</b> |                          |
|--------------------------------------|----------------------------------|--------------------------|
|                                      | <b>December 31, 2019</b>         | <b>December 31, 2018</b> |
| Normal cost                          | \$1.9                            | \$2.2                    |
| Tier 1 / Tier 2 valuation payroll    | 3,873.9                          | 4,076.1                  |
| Normal cost rate                     | 0.05%                            | 0.05%                    |
| Actuarial accrued liability          | \$403.9                          | \$411.7                  |
| Actuarial asset value                | 644.1                            | 570.7                    |
| Unfunded actuarial accrued liability | (240.3)                          | (159.1)                  |
| Funded status                        | 159%                             | 139%                     |
| Combined valuation payroll           | \$11,533.7                       | \$10,852.0               |
| UAL as a percentage of payroll       | (2%)                             | (1%)                     |
| UAL rate                             | 0.00%                            | 0.00%                    |

| (\$ in millions)<br><b>RHIPA</b>     | <b>Actuarial Valuation as of</b> |                          |
|--------------------------------------|----------------------------------|--------------------------|
|                                      | <b>December 31, 2019</b>         | <b>December 31, 2018</b> |
| Normal cost                          | \$1.2                            | \$1.3                    |
| Tier 1 / Tier 2 valuation payroll    | 1,120.6                          | 1,159.5                  |
| Normal cost rate                     | 0.11%                            | 0.11%                    |
| Actuarial accrued liability          | \$59.3                           | \$62.7                   |
| Actuarial asset value                | 51.9                             | 38.5                     |
| Unfunded actuarial accrued liability | 7.4                              | 24.3                     |
| Funded status                        | 87%                              | 61%                      |
| Combined valuation payroll           | \$3,479.8                        | \$3,211.6                |
| UAL as a percentage of payroll       | 0%                               | 1%                       |
| UAL rate                             | 0.17%                            | 0.22%                    |

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

# Weighted Average Tier 1/Tier 2 Normal Cost

## Pension

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

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

### *Development of Total Weighted Average Tier 1/Tier 2 Normal Cost Rate*

|                                | December 31, 2019            |                                                   |                | December 31, 2018            |                                                   |                |
|--------------------------------|------------------------------|---------------------------------------------------|----------------|------------------------------|---------------------------------------------------|----------------|
|                                | SLGRP<br>Normal<br>Cost Rate | Employer<br>Tier 1/Tier 2<br>Valuation<br>Payroll | Normal Cost    | SLGRP<br>Normal<br>Cost Rate | Employer<br>Tier 1/Tier 2<br>Valuation<br>Payroll | Normal Cost    |
| Tier 1 General Service         | 16.64%                       | \$0                                               | \$0            | 17.01%                       | \$0                                               | \$0            |
| Tier 2 General Service         | 12.67%                       | 16,857                                            | 2,136          | 12.84%                       | 15,912                                            | 2,043          |
| <b>Total General Service</b>   |                              | <b>16,857</b>                                     | <b>2,136</b>   |                              | <b>15,912</b>                                     | <b>2,043</b>   |
| Tier 1 Police & Fire           | 21.76%                       | 0                                                 | 0              | 22.20%                       | 0                                                 | 0              |
| Tier 2 Police & Fire           | 19.69%                       | 0                                                 | 0              | 20.00%                       | 0                                                 | 0              |
| <b>Total Police &amp; Fire</b> |                              | <b>0</b>                                          | <b>0</b>       |                              | <b>0</b>                                          | <b>0</b>       |
| <b>Total</b>                   |                              | <b>\$16,857</b>                                   | <b>\$2,136</b> |                              | <b>\$15,912</b>                                   | <b>\$2,043</b> |

#### Total normal cost rate

|                            |               |               |
|----------------------------|---------------|---------------|
| <b>General Service</b>     | <b>12.67%</b> | <b>12.84%</b> |
| <b>Police &amp; Fire</b>   | <b>20.28%</b> | <b>20.71%</b> |
| <b>Aggregate (Default)</b> | <b>12.67%</b> | <b>12.84%</b> |

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

## Transition Liability Information

### Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation.

|                                                                  | Transition Liability |
|------------------------------------------------------------------|----------------------|
| 1. Transition liability/(surplus) as of December 31, 2018        | (\$26,814)           |
| 2. January 1, 2019 through June 30, 2019 <sup>1</sup>            |                      |
| A. Transition liability/(surplus) rate                           | (3.34%)              |
| B. Actual employer payroll                                       | 38,994               |
| C. Payment to transition liability/(surplus)                     | (1,302)              |
| 3. July 1, 2019 through December 31, 2019 <sup>1</sup>           |                      |
| A. Transition liability/(surplus) rate                           | (3.79%)              |
| B. Actual employer payroll                                       | 58,226               |
| C. Payment to transition liability/(surplus)                     | (2,207)              |
| 4. Supplemental payment to transition liability                  | 0                    |
| 5. Interest                                                      | (1,678)              |
| 6. Adjustment due to merged, spun-off, or allocated employers    | 0                    |
| <b>7. Transition liability/(surplus) as of December 31, 2019</b> |                      |
| <b>(1. - 2C. - 3C. - 4. + 5. + 6.)</b>                           | <b>(\$24,983)</b>    |

<sup>1</sup> Transition liability or surplus rates shown are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

### Development of Transition Liability or Surplus Rate

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

|                                                     | December 31, 2019 | December 31, 2018 |
|-----------------------------------------------------|-------------------|-------------------|
| 1. Total transition liability/(surplus)             | (24,983)          | (26,814)          |
| 2. Combined valuation payroll                       | 102,623           | 96,163            |
| 3. Regular amortization factor                      | 6.875             | 7.606             |
| 4. <b>Total transition liability/(surplus) rate</b> | <b>(3.54%)</b>    | <b>(3.67%)</b>    |

## Side Account Information

### Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

|                                                                                   | New        | Continuing | Total |
|-----------------------------------------------------------------------------------|------------|------------|-------|
| <b>1. Side account as of December 31, 2018</b>                                    | <b>N/A</b> |            |       |
| 2. Deposits during 2019                                                           |            |            |       |
| 3. Administrative expenses                                                        |            |            |       |
| 4. Amount transferred to employer reserves during 2019                            |            |            |       |
| 5. Side account earnings during 2019                                              |            |            |       |
| <b>6. Side account as of December 31, 2019</b><br><b>(1. + 2. + 3. + 4. + 5.)</b> |            |            |       |



## Side Account Information

### Side Account Balances

|                | December 31, 2019 | December 31, 2018 |
|----------------|-------------------|-------------------|
| Side Account 1 | 0                 | 0                 |
| Side Account 2 | 0                 | 0                 |
| Side Account 3 | 0                 | 0                 |
| Side Account 4 | 0                 | 0                 |
| Side Account 5 | 0                 | 0                 |
| <b>Total</b>   | <b>\$0</b>        | <b>\$0</b>        |

### Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the default fixed period ends 18 years after the first rate-setting valuation following its creation, though employers can select a shorter period under certain specified circumstances. For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

| December 31, 2019          |                      |                     | December 31, 2018          |                      |                     |                   |
|----------------------------|----------------------|---------------------|----------------------------|----------------------|---------------------|-------------------|
| Combined valuation payroll |                      | \$102,623           | Combined valuation payroll |                      | \$96,163            |                   |
|                            | Side account balance | Amortization factor | Side account rate          | Side account balance | Amortization factor | Side account rate |
| 1.                         | 0                    |                     | 0.00%                      | 0                    |                     | 0.00%             |
| 2.                         | 0                    |                     | 0.00%                      | 0                    |                     | 0.00%             |
| 3.                         | 0                    |                     | 0.00%                      | 0                    |                     | 0.00%             |
| 4.                         | 0                    |                     | 0.00%                      | 0                    |                     | 0.00%             |
| 5.                         | 0                    |                     | 0.00%                      | 0                    |                     | 0.00%             |
| Total                      | \$0                  |                     | 0.00%                      | \$0                  |                     | 0.00%             |

# Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2019 valuation can be found in the system-wide actuarial valuation report.

## Actuarial Methods and Valuation Procedures

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

|                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Actuarial cost method</i>                                | Entry Age Normal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <i>Amortization method</i>                                  | <p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL was re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20 year period. Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22 year period at the December 31, 2019 rate-setting actuarial valuation, which will set actuarially determined contribution rates for the 2021-2023 biennium.</p>                                                                                      |
| <i>Asset valuation method</i>                               | Market value of assets, excluding reserves.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <i>Contribution rate stabilization method (rate collar)</i> | <p>The contribution rate stabilization method, also referred to as the rate collar, is applied separately to each Tier 1/Tier 2 experience sharing pool (State and Local Government Rate Pool, School Districts) and independent employer. The collar's centering point for Tier 1/Tier 2 calculations is the sum of the Tier 1/Tier 2 Normal Cost and Tier 1/Tier 2 UAL Rates currently in effect. In the subsequent biennium, the increase in the sum of those two rate components is limited by the collar to 20% of the current sum of those two rate components, or 3% of payroll, if greater. If the funded status excluding side accounts is less than 70%, the width of the collar widens on a graded scale, reaching 40% of the current sum of the two rate components or 6% of payroll, if greater, if funded status excluding side accounts is 60% or less. A separate but parallel rate collar calculation is performed for the sum of the OPSRP Normal Cost and OPSRP UAL rates based on the funded status of the OPSRP program.</p> |

## Economic Assumptions

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

|                                      |                                                                                                                                                |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Net investment return</i>         | 7.20% compounded annually on system assets.                                                                                                    |
| <i>Interest crediting</i>            | <p>7.20% compounded annually on members' regular account balances.</p> <p>7.20% compounded annually on members' variable account balances.</p> |
| <i>Consumer price inflation</i>      | 2.50% per year.                                                                                                                                |
| <i>Future general wage inflation</i> | 3.50% per year.                                                                                                                                |
| <i>Healthcare cost inflation</i>     | Ranging from 5.8% in 2020 to 4.1% in 2094.                                                                                                     |
| <i>Administrative Expenses</i>       | <p>\$8.0 million, added to OPSRP normal cost.</p> <p>\$32.5 million, added to Tier 1/Tier 2 normal cost.</p>                                   |

# Brief Summary of Actuarial Methods and Assumptions

## Changes Since Last Valuation

The key changes since the December 31, 2018 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

### ***Changes in Actuarial Methods and Allocation Procedures***

There were no changes in actuarial methods and allocation procedures since the December 31, 2018 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

### ***Changes in Assumptions***

There were no changes in assumptions since the December 31, 2018 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

## Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2018 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide actuarial valuation report.

# Glossary

**Actuarial Accrued Liability**

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

**Actuarial Asset Value**

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

**Actuarial Assumptions**

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

**Actuarial Cost Method**

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

**Actuarial Gain or (Loss)**

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

**Combined Valuation Payroll**

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

**Employer Contribution Rate**

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

**Funded Status**

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

**Normal Cost**

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

**OPSRP Valuation Payroll**

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

# Glossary

## **Pre-SLGRP Liability**

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

## **Pre-SLGRP Pooled Liability**

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

## **Present Value**

Sometimes called “actuarial present value,” the estimated cost (as of the valuation date) of a series of future payments. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

## **Rate Collar**

A contribution rate setting methodology that defines the maximum biennium-to-biennium change in the sum of the normal cost rate and the associated UAL rate for a given experience-sharing pool. The width of the collar is determined by the pool's current normal cost rate, UAL rate and funded status.

## **Required Supplementary Information (RSI)**

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

## **Statement No. 27 of the Governmental Accounting Standards Board (GASB 27)**

The accounting standard governing a state or local governmental employer's accounting for pensions prior to GASB 68.

## **Statement No. 45 of the Governmental Accounting Standards Board (GASB 45)**

The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions prior to GASB 75.

## **Statement No. 68 of the Governmental Accounting Standards Board (GASB 68)**

The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

## **Statement No. 75 of the Governmental Accounting Standards Board (GASB 75)**

The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions for fiscal years beginning after June 15, 2017.

## **Tier 1/Tier 2 Valuation Payroll**

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

## **Transition Liability**

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

## **Unfunded Accrued Liability (UAL)**

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



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