



# Adoption of 2025-2027 Employer Contribution Rates

## OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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October 4, 2024

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# Introduction

- At the July meeting we reviewed summary valuation results as of December 31, 2023 for:
  - Tier One/Tier Two & OPSRP retirement programs
  - Retiree Health Insurance Account (RHIA), and
  - Retiree Health Insurance Premium Account (RHIPA)
- Last month we published our full detailed December 31, 2023 System-Wide Actuarial Valuation Report
- Based upon that valuation at today's meeting we are presenting 2025-2027 employer contribution rates for adoption by the PERS Board
- PERS staff will provide detailed reports for each employer

# Valuation Process and Timeline

- Actuarial valuations are conducted annually
  - Valuations alternate between “rate-setting” and “advisory” valuations
  - This valuation as of 12/31/2023 is a rate-setting valuation
- Board adopts contribution rates developed in rate-setting valuations, and those rates go into effect 18 months after the valuation date

Rate-Setting Valuation Date	Employer Contribution Rates
12/31/2021 →	July 2023 – June 2025
12/31/2023 →	July 2025 – June 2027
12/31/2025 →	July 2027 – June 2029

# Funded Status & Unfunded Actuarial Liability (UAL)

- Comparison of system-wide results for two most recent rate-setting valuations

Valuation Date	Excluding Side Accounts		Including Side Accounts	
	UAL	Funded Status	UAL	Funded Status
12/31/2021	\$ 20.0 B	80%	\$ 13.4 B	86%
12/31/2023	\$ 29.4 B	72%	\$ 24.0 B	77%

# Summary of Valuation Results - Contributions

- Average collared base employer contribution rates **will increase 1.47% of pay starting July 2025**
  - Collared base employer rates paid by new employer contributions and/or side account transfers
- Average collared net employer contribution rates **will increase 4.08% of pay starting July 2025**
  - Collared net rates are paid by new employer contributions
- Factors affecting July 2025 – June 2027 contribution rate calculations:
  - Collared base rate increase driven mostly by updates to the individual member pay increase assumption adopted with 2022 Experience Study
    - Contributed to a 1.00% increase in the OPSRP collared UAL rate; also increased normal cost rates
  - The collared Tier One/Tier Two UAL rate is unchanged for School Districts and SLGRP
  - System-wide payroll grew by over 20% in the two years since the last rate-setting valuation
    - Reduces the average side account rate offset for employers with side accounts

# System-Average Weighted Total\* Pension-Only Rates

2009-2011 rates set prior to economic downturn

2011-2013 rates first to reflect -27% return in 2008 and +19% return in 2009

2013-2015 shown before (dotted line) and after (solid line) legislated changes

2015-2017 set pre-Moro reflecting 2012 (+14.3%) & 2013 (+15.6%) returns, first decrease in assumed return

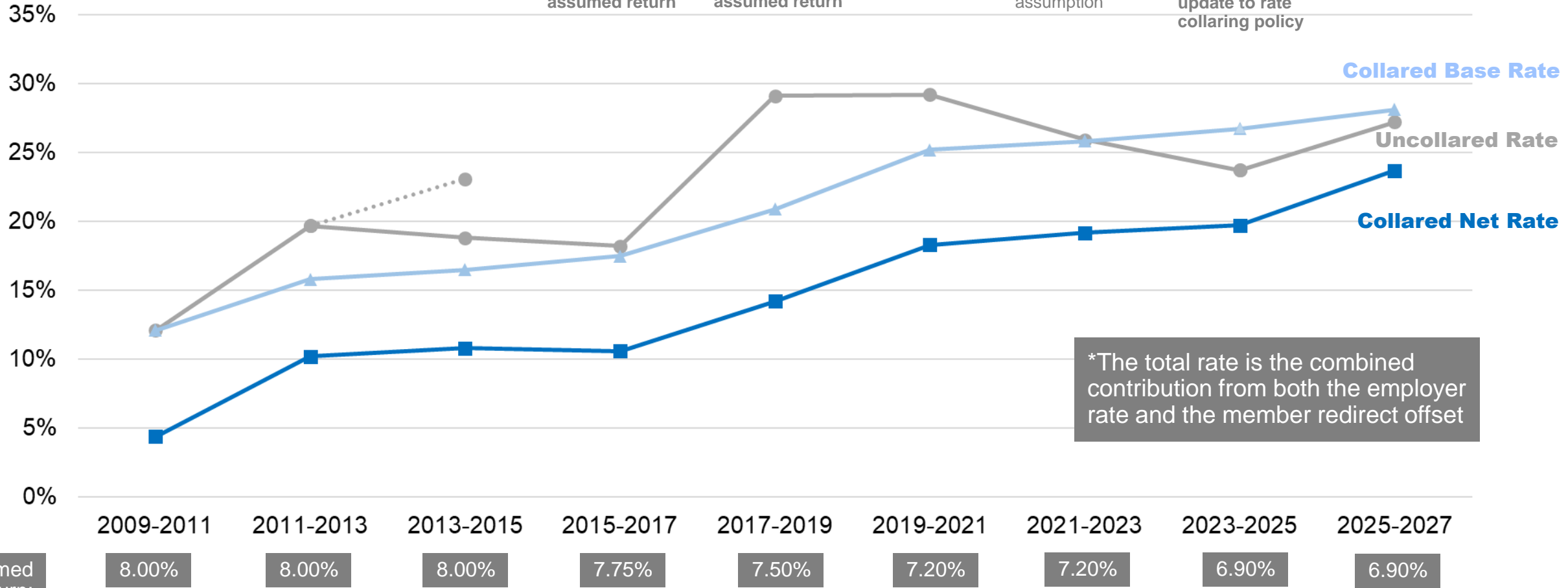
2017-2019 set post-Moro, reflecting 2015 return (+2.1%) and second decrease in assumed return

2019-2021 reflects +15.4% return in 2017 and third decrease in assumed return

2021-2023 rates reflect mandated re-amortization of Tier One/Tier Two UAL, biennial returns near assumption

2023-2025 rates reflect 2021 actual return of +20.05%, a fourth decrease in assumed return and an update to rate collaring policy

2025-2027 rates reflect 2022 return of -1.55% and higher salary increase assumptions



\*The total rate is the combined contribution from both the employer rate and the member redirect offset

Assumed Return:

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# Individual Employer Rates

- Employers pay separate rates on different payrolls:
  - Tier One/Tier Two payroll
    - Some SLGRP employers can pay distinct General Service and Police & Fire rates on their Tier One/Tier Two payroll
  - OPSRP General Service payroll
  - OPSRP Police & Fire payroll
- Individual rates (and accompanying detailed reports) provided for over 600 employers
  - 359 SLGRP employers
  - 128 Independent employers
  - 126 School District employers with side accounts
    - An additional 168 School District employers without a side account all receive an identical report
- Detail for State Agencies shown on the following slides
  - Note that side accounts specific to individual state agencies are reflected separately

# Individual Employer Rates

- From the employer rate listing provided in today’s meeting materials
- “State Agencies” in this context includes: the agencies of state government, semi-independent agencies, boards, commissions, public universities and public corporations

## Summary of PERS Employer Contribution Rates

Rates shown reflect the effect of side account rate offsets and retiree healthcare contributions, and exclude contributions to the IAP and debt service for pension obligation bonds.

Employer Number	Employer Name	Net Employer Contribution Rate 7/1/23 - 6/30/25			Net Employer Contribution Rate 7/1/25 - 6/30/27		
		Tier One / Tier Two Payroll (reflects 2.40% member redirect offset)	OPSRP General Service Payroll (reflects 0.65% member redirect offset)	OPSRP Police and Fire Payroll	Tier One / Tier Two Payroll (reflects 2.40% member redirect offset)	OPSRP General Service Payroll (reflects 0.65% member redirect offset)	OPSRP Police and Fire Payroll
<b>State (excluding Agency specific side accounts)</b>							
1000	State Agencies	22.91%	18.28%	23.07%	25.98%	21.94%	27.21%

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# Individual Employer Rates

- From the detailed report PERS will provide to each employer (State Agencies example)

## Employer Contribution Rates Effective July 1, 2025

	Payroll				
	Tier One/Tier Two			OPSRP	
	Default All Tier One/Tier Two Payroll	Optional General Service	Separate Rates Police & Fire	General Service	Police & Fire
<b>Pension</b>					
Normal cost rate	16.26%	15.10%	22.09%	10.47%	15.74%
Tier One/Tier Two UAL rate <sup>1</sup>	12.46%	12.46%	12.46%	12.46%	12.46%
Multnomah Fire District #10 UAL rate	0.06%	0.06%	0.06%	0.06%	0.06%
OPSRP UAL rate	2.69%	2.69%	2.69%	2.69%	2.69%
Pre-SLGRP pooled liability rate <sup>2</sup>	0.53%	0.53%	0.53%	0.53%	0.53%
Transition liability/(surplus) rate <sup>3</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief <sup>3</sup>	(3.62%)	(3.62%)	(3.62%)	(3.62%)	(3.62%)
Member redirect offset <sup>4</sup>	(2.40%)	(2.40%)	(2.40%)	(0.65%)	(0.65%)
<b>Net employer pension contribution rate</b>	<b>25.98%</b>	<b>24.82%</b>	<b>31.81%</b>	<b>21.94%</b>	<b>27.21%</b>
<b>Retiree Healthcare</b>					
Normal cost rate	0.13%	0.13%	0.13%	0.00%	0.00%
UAL rate	(0.13%)	(0.13%)	(0.13%)	0.00%	0.00%
<b>Net retiree healthcare rate</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total net employer contribution rate</b>	<b>25.98%</b>	<b>24.82%</b>	<b>31.81%</b>	<b>21.94%</b>	<b>27.21%</b>

Total net employer contribution rate effective July 1, 2023: 22.91%

18.28%

23.07%

← This rate-setting valuation

← Prior rate-setting valuation

# Individual Employer Pension Rates

- Focusing on just the Net Employer Pension Rates circled in green from the prior slide, we can illustrate the weighted average rate calculation for State Agencies, reflecting estimated 2025-2027 biennium payroll

(\$ millions) State Agencies	Tier One / Tier Two	OPSRP General Service	OPSRP Police & Fire	Total
Projected 2025-2027 Biennium Payroll	\$1,700	\$7,325	\$1,090	\$10,115
2025-2027 net employer pension contribution rates	25.98%	21.94%	27.21%	23.18%*
Contribution for weighting	\$440	\$1,610	\$295	\$2,345

\* Weighted average:  $\$2,345 / \$10,115 = 23.18\%$

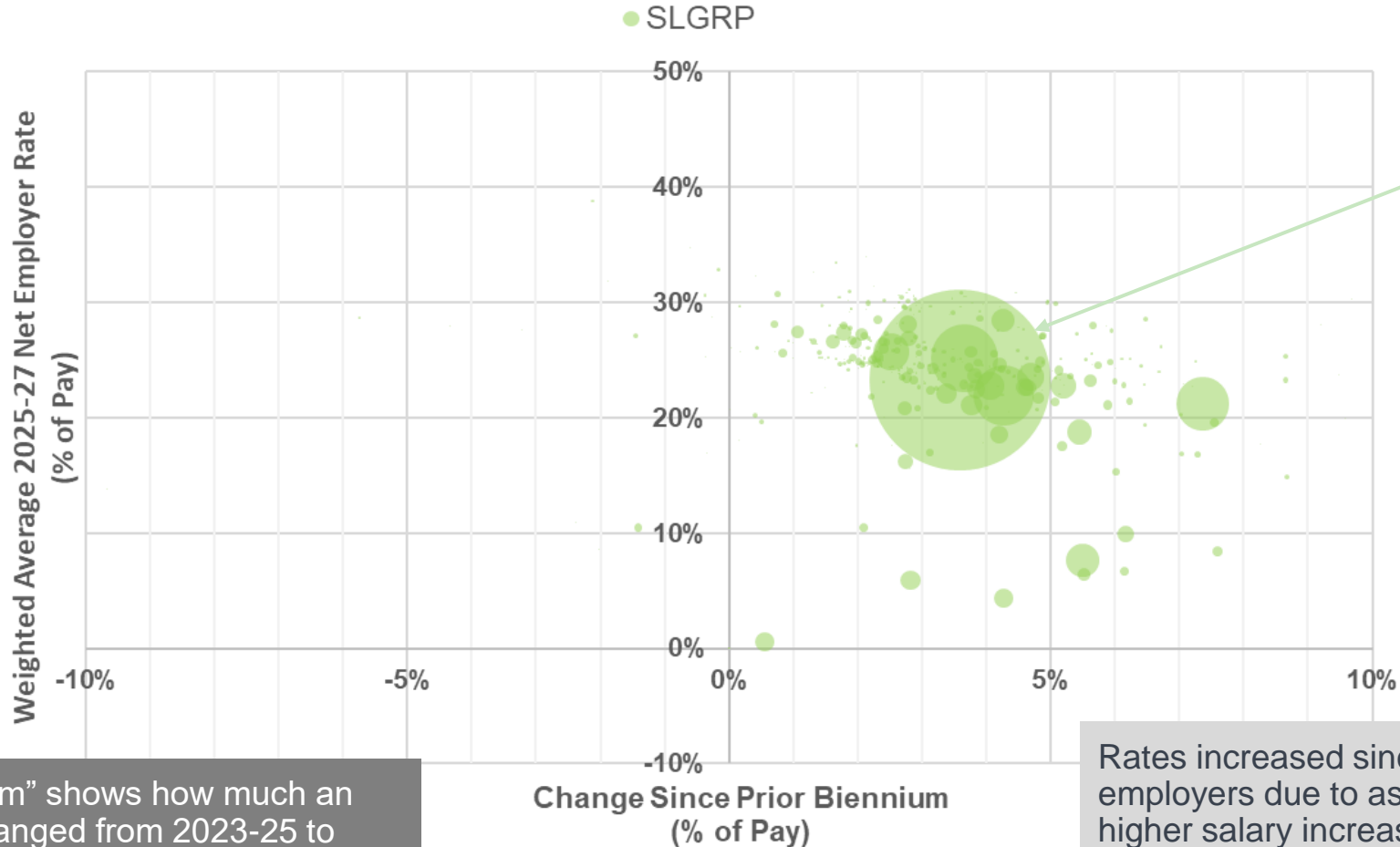
- Projected 2025-2027 payroll is based on State Agencies payroll from this valuation increased with the 3.40% annual payroll growth assumption
- For reference, the projected 2023-2025 employer contribution was \$1,865 million; a portion of the increase in the 2025-2027 amount is due to projected payroll growth but the majority is due to the increase in the net employer contribution rate

# Average Net Rates by Employer and Change Since Prior Biennium

Weighted by 12/31/2023 valuation payroll (Tier One/Tier Two, OPSRP GS, OPSRP PF)

Bubble size is based on employer payroll

SLGRP employers



State Agencies are largest SLGRP employer; weighted average rate of over 23% represents about 3.6% increase from prior biennium.

“Change since prior biennium” shows how much an employer’s average rate changed from 2023-25 to 2025-27, with both biennia’s rates weighted based on 12/31/2023 valuation payroll

Rates increased since prior biennium for most employers due to asset performance and higher salary increase assumptions. Larger than average changes often related to side accounts and/or changes in employer payrolls

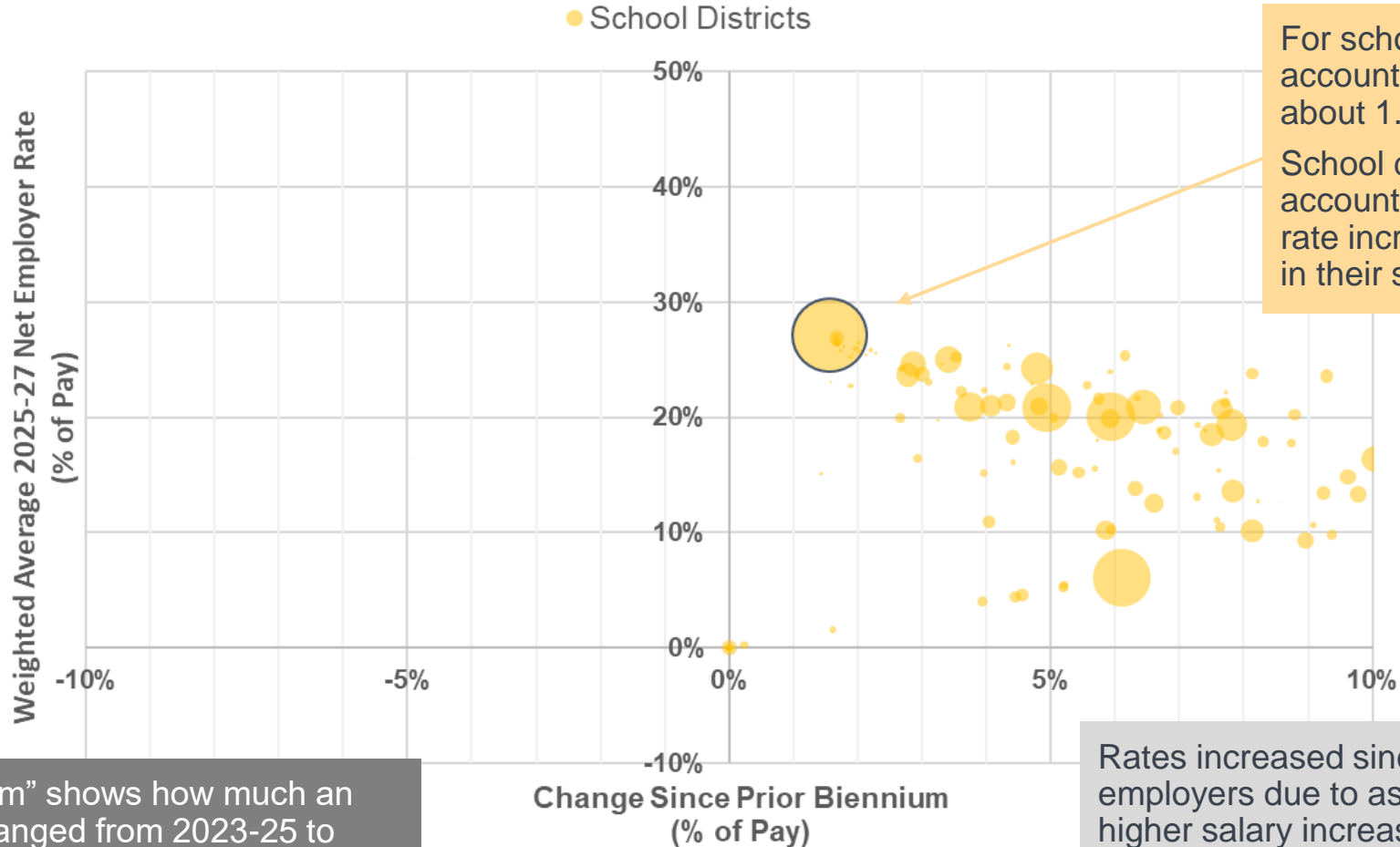
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# Average Net Rates by Employer and Change Since Prior Biennium

Weighted by 12/31/2023 valuation payroll (Tier One/Tier Two, OPSRP GS, OPSRP PF)

Bubble size is based on employer payroll

## School districts



For schools without side accounts, average rate increased about 1.6% of pay.

School districts with side accounts typically had higher net rate increases due to a decrease in their side account rate offset.

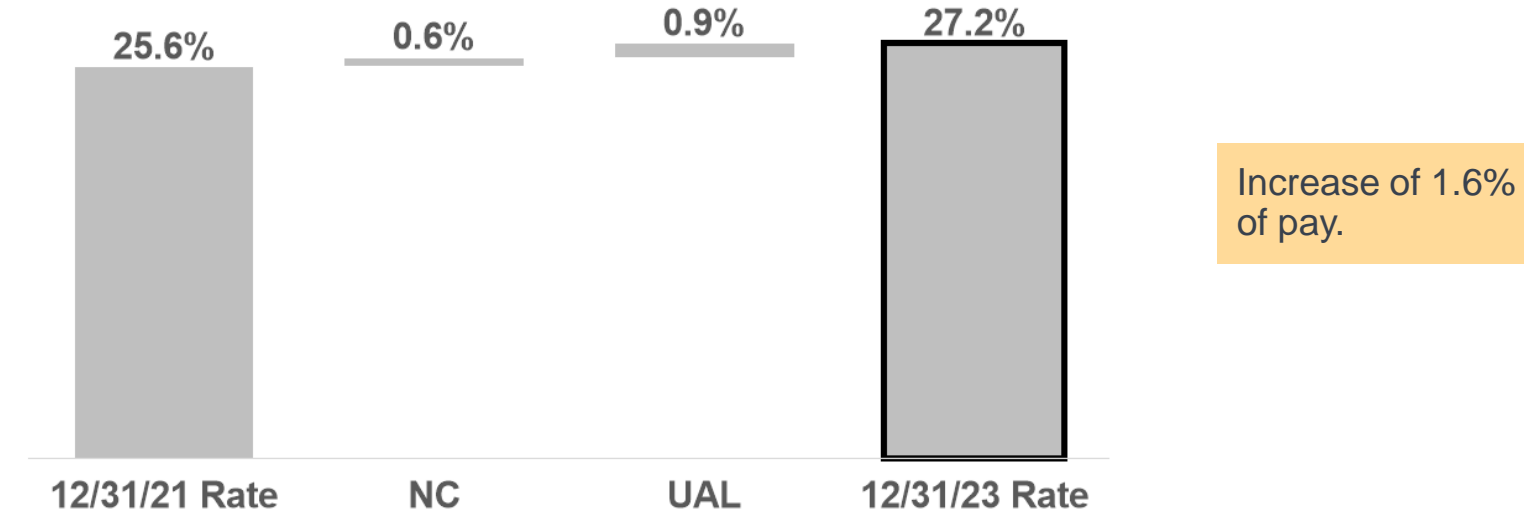
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# Net Rate Change: School District Illustration

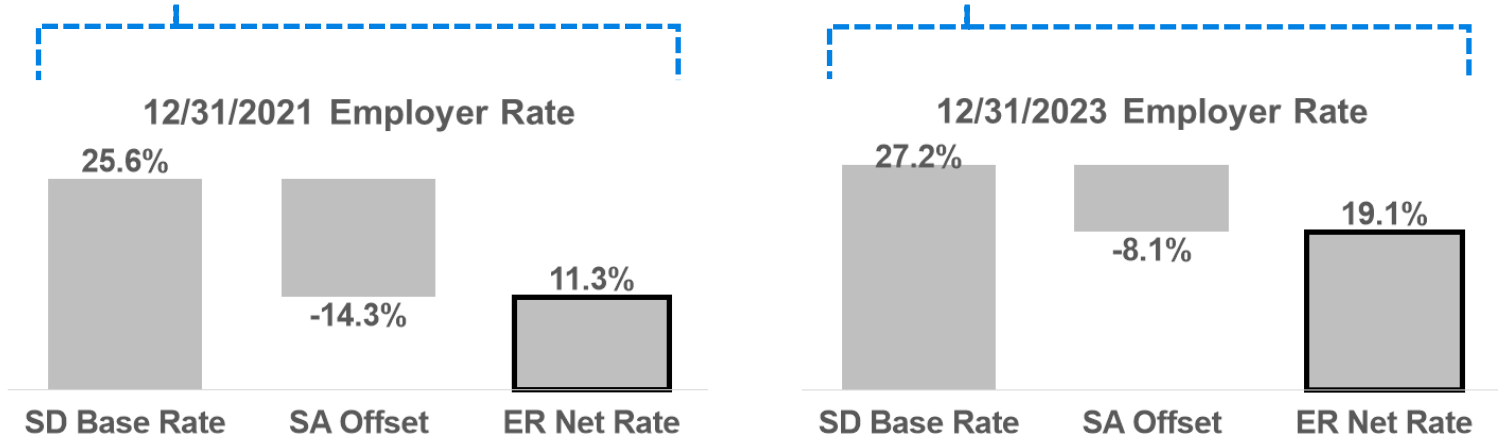
Weighted by 12/31/2023 valuation payroll (Tier One/Tier Two, OPSRP GS, OPSRP PF)

## School Districts without Side Accounts



Increase of 1.6% of pay.

## Illustrative School with Side Account



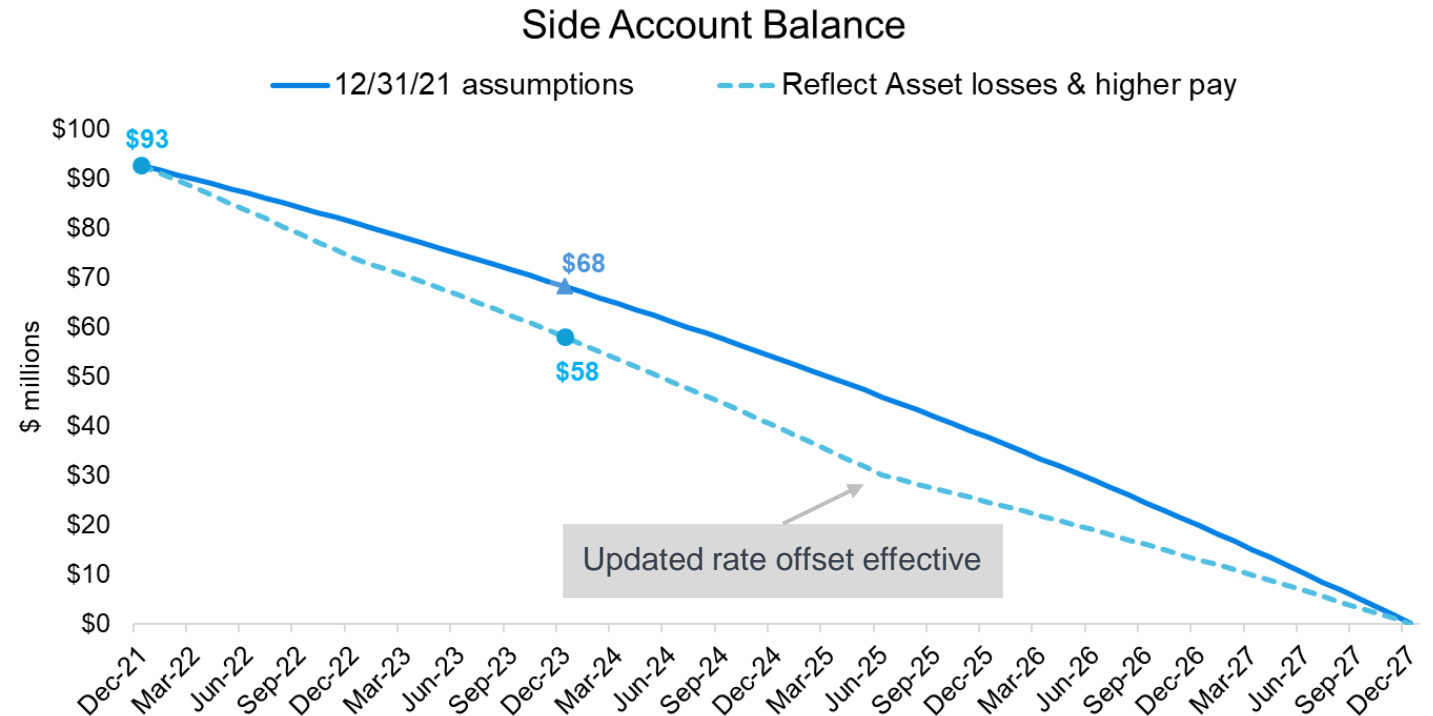
Increase of 7.8% of pay, reflects smaller side account offset.

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# Net Rate Change: School District Illustration

Employer's net rate increase of 7.8% of pay driven by reduction to side account offset, due to two factors:

- Side balance decreased more than assumed from 12/31/2021 to 12/31/2023 due to asset performance and employer payroll growth
- Higher-than-assumed growth in employer payroll leads to lower percentage of pay rate offset for remaining amortization period



12/31/2023 ER Valuation Payroll	
Projected	\$130 M
Actual	\$150 M

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# Average Net Rates by Employer and Change Since Prior Biennium

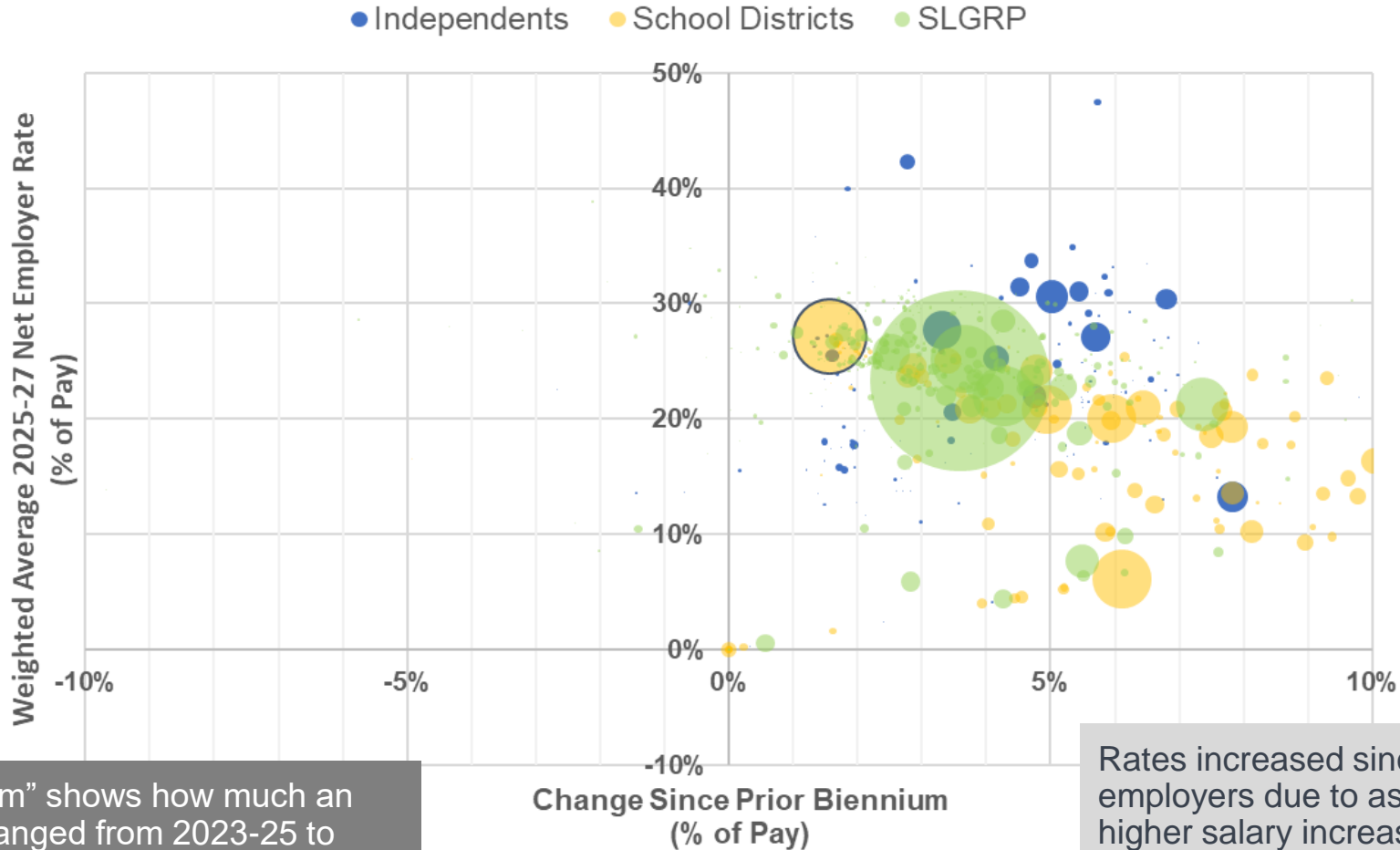
Weighted by 12/31/2023 valuation payroll (Tier One/Tier Two, OPSRP GS, OPSRP PF)

Bubble size is based on employer payroll

SLGRP employers

School districts

Independent employers



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Rates increased since prior biennium for most employers due to asset performance and higher salary increase assumptions. Larger than average changes often related to side accounts and/or changes in employer payrolls

# Average Net Rates by Employer and Effect of July 2025 Collaring

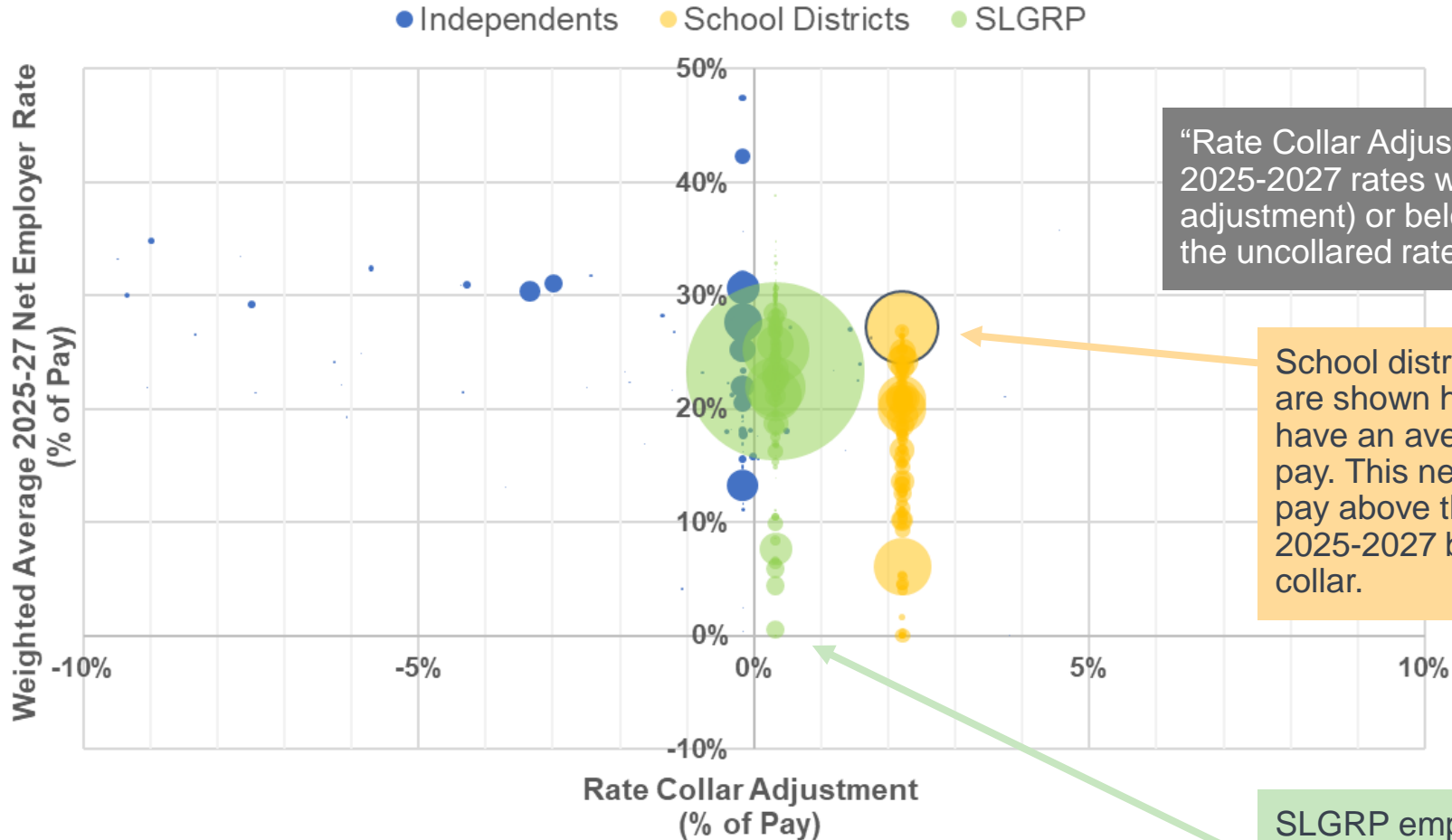
Weighted by 12/31/2023 valuation payroll (Tier One/Tier Two, OPSRP GS, OPSRP PF)

Bubble size is based on employer payroll

SLGRP employers

School districts

Independent employers



“Rate Collar Adjustment” shows how much 2025-2027 rates were held above (positive adjustment) or below (negative adjustment) the uncollared rate by the collar policy

School districts without side accounts are shown here as one employer and have an average net rate of 27.2% of pay. This net rate was held 2.21% of pay above the uncollared rate for the 2025-2027 biennium due to the rate collar.

SLGRP employers were held above the uncollared rate by 0.32% of pay due to the rate collar

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# Wrap Up / Next Steps

- Adoption of employer-specific rates for 2025-2027 biennium
- PERS to distribute detailed valuation reports to employers
- In December, we will present contribution rate and funded status projections
  - Focus on system-average results
  - Will use the latest year-to-date investment return information at the time the projections are made
  - Projections will be developed using two types of models
    - Steady return
    - Variable return



# Appendix

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# Certification

This presentation summarizes key results of an actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2023, for the Plan Year ending December 31, 2023. The results are preliminary in nature and may not be relied upon to, for example, prepare the System’s Annual Comprehensive Financial Report. The full development of detailed results is shown in the formal December 31, 2023 System-Wide Actuarial Valuation Report.

Actuarial computations presented in this report are for purposes of presenting contribution rates consistent with the adopted funding policy of the System. The computations prepared for other purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System’s funding policy. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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, statutory provisions, 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.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the PERS Board, which is responsible for selecting the plan’s funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods, and assumptions used in this valuation are those that have been so adopted and are described in this report. The System is solely responsible for communicating to Milliman any changes required thereto. All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, 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 and are expected to have no significant bias . The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.

This 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 the 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. Determining results using alternative assumptions is outside the scope of our engagement.

# Certification

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan 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 modifications to contribution calculations based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. Our December 31, 2023 Actuarial Valuation Report provides additional discussion of the System's risks. The PERS Board has the final decision regarding the selection of the assumptions and actuarial cost methods.

Milliman's work is prepared solely for the internal business use of the Oregon Public Employees Retirement System. Milliman does not intend to benefit or create a legal duty to any third-party recipient of this report. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. No third-party recipient of Milliman's work product should rely upon Milliman's work product. 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 actuaries are independent of the plan sponsors. 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 claims costs and healthcare trend (cost inflation) rates for the retiree healthcare program discussed in this report were determined by Milliman actuaries qualified in such matters.

# Data Exhibits

	December 31, 2023				December 31, 2022	
	Tier One	Tier Two	OPSRP	Total	Total	
<b>Active Members</b>						
Count	8,601	24,276	158,710	191,587	183,642	
Average Age	58.7	54.0	43.7	45.7	45.8	
Average Service	28.8	22.4	7.7	10.5	10.7	
Average prior year Covered Salary	\$ 101,575	\$ 97,078	\$ 69,408	\$ 74,358	\$ 71,601	
<b>Inactive Members<sup>1</sup></b>						
Count	7,936	12,649	33,288	53,873	52,513	
Average Age	63.3	56.7	48.7	52.7	52.7	
Average Monthly Benefit	\$ 2,450	\$ 1,041	\$ 553	\$ 947	\$ 958	
<b>Retired Members and Beneficiaries<sup>1</sup></b>						
Count	128,766	23,789	13,332	165,887	163,196	
Average Age	74.6	69.4	69.0	73.4	73.1	
Average Monthly Benefit	\$ 3,376	\$ 1,551	\$ 703	\$ 2,899	\$ 2,852	
<b>Total Members</b>	<b>145,303</b>	<b>60,714</b>	<b>205,330</b>	<b>411,347</b>	<b>399,351</b>	

<sup>1</sup> Inactive and Retiree counts are shown by lives within the system. In other words, a member is counted once for purposes of this exhibit, regardless of their service history for different rate pools. This contrasts with the method used to count inactive participants in some of the later exhibits.

# School District Weighted Total\* Pension-Only Rates

2009-2011 rates set prior to economic downturn

2011-2013 rates first to reflect -27% return in 2008 and +19% return in 2009

2013-2015 shown before (dotted line) and after (solid line) legislated changes

2015-2017 set pre-Moro reflecting 2012 (+14.3%) & 2013 (+15.6%) returns, first decrease in assumed return

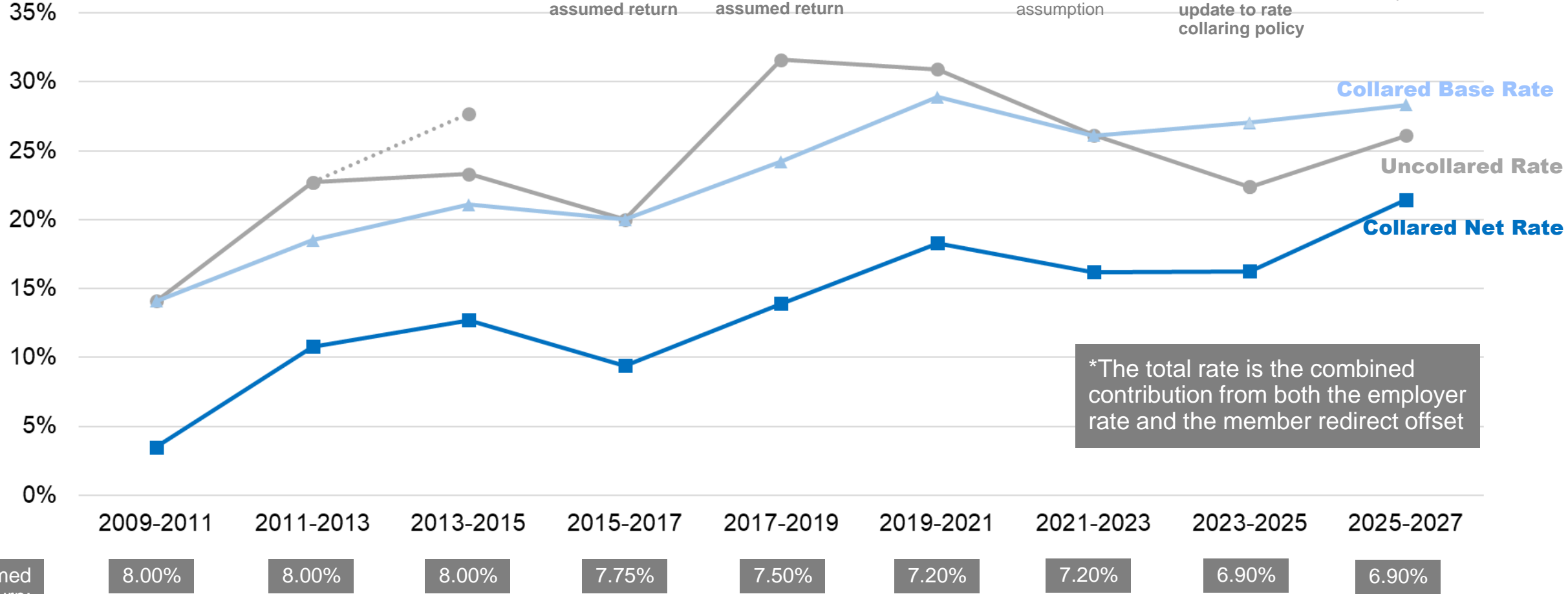
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2021-2023 rates reflect mandated re-amortization of Tier One/Tier Two UAL, biennial returns near assumption

2023-2025 rates reflect 2021 actual return of +20.05%, a fourth decrease in assumed return and an update to rate collaring policy

2025-2027 rates reflect 2022 return of -1.55% and higher salary increase assumptions



\*The total rate is the combined contribution from both the employer rate and the member redirect offset

Assumed Return: 8.00% 8.00% 8.00% 7.75% 7.50% 7.20% 7.20% 6.90% 6.90%



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# SLGRP Weighted Total\* Pension-Only Rates

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2011-2013 rates first to reflect -27% return in 2008 and +19% return in 2009

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2015-2017 set pre-Moro reflecting 2012 (+14.3%) & 2013 (+15.6%) returns, first decrease in assumed return

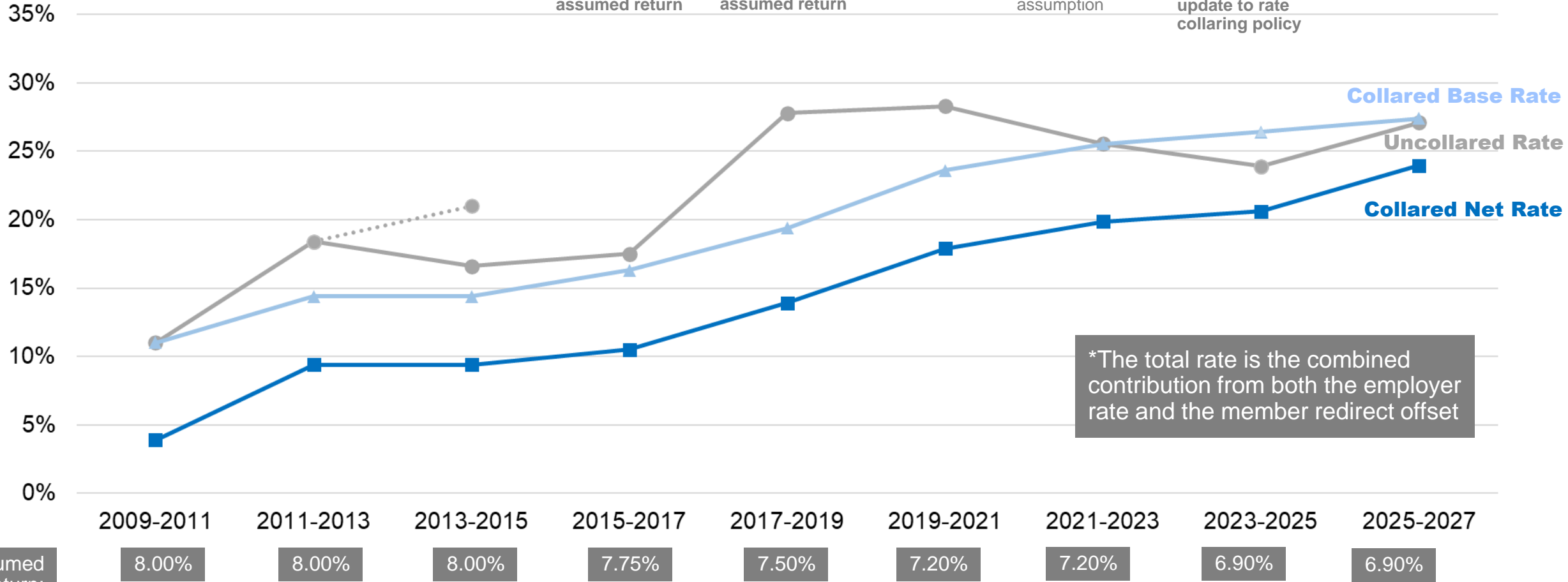
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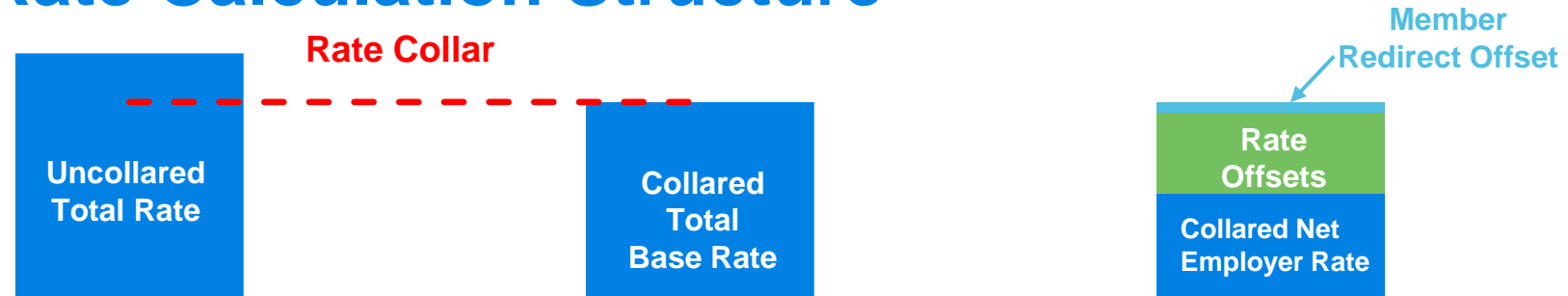
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Assumed Return:



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# Overview of Rate Calculation Structure



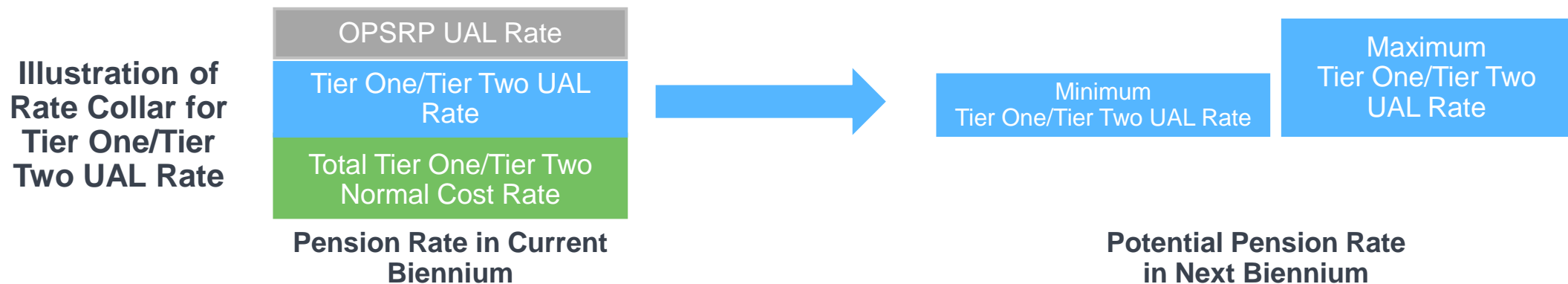
- The ***uncollared total rate*** is the theoretical contribution rate to reach 100% funded status over a specified amortization period if:
  - Contributions at that rate started on the actuarial valuation date, and
  - Actual future experience mirrors the actuarial valuation's assumptions, and
  - The normal cost rate does not change in subsequent years
- The rate collar sets a biennium's ***collared total base rate***, limiting the base rate change for a single biennium when there is a large change in the uncollared rate
- ***Member redirect offset*** reflects estimated portion of collared total base rate paid by redirected member contributions
- Employers pay the ***collared net employer rate***, which reflects the member redirect offset and any rate offset adjustments from:
  - Side account rate offsets for employers with side accounts
  - SLGRP charges/offsets (e.g., Transition Liability/Surplus)

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# Rate Collar Design

- Rate collar focuses on the biennium-to-biennium change in the UAL Rate component
  - Normal Cost Rate component is always paid in full and is not subject to a rate collar limitation
- The maximum biennium to biennium change in UAL Rate permitted by the rate collar is:
  - **SLGRP and School District Pools Tier One/Tier Two UAL Rates:** 3% of pay
  - **OPSRP UAL rate:** 1% of pay
  - **Tier One/Tier Two UAL Rates of Independent Employers:** greater of 4% of pay or 1/3rd of the difference between the collared and uncollared Tier One/Tier Two UAL Rates at the last rate-setting valuation
- UAL Rate is not allowed to decrease at all unless funded status excluding side accounts is at least 87%, and a full collar width decrease is not allowed unless funded status is at least 90%



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# Retirement System Risks

- Oregon PERS, like all defined benefit systems, is subject to various risks that will affect future system liabilities and contribution requirements, including:
  - **Investment risk:** the potential that investment returns will be different than assumed
  - **Demographic risks:** the potential that mortality experience, retirement behavior, or other demographic experience for the system membership will be different than assumed
  - **Contribution risk:** the potential that actual future contributions will be materially different than expected, for example if there are material changes in the system's covered payroll
- The results of an actuarial valuation are based on one set of reasonable assumptions, but it is almost certain that future experience will not exactly match the assumptions.
- Further discussion of system risks and historical information regarding system experience are shown in our annual actuarial valuations. In addition, our annual financial modeling presentation to the PERS Board illustrates future outcomes under a wide range of future scenarios reflecting variation in key risk factors.

# Investment Risk

## Low Default Rate Obligation Measure (LDROM)

To the extent that actual investment returns differ from the assumed investment return, the Plan’s future assets, funding contributions, and funded status may differ significantly from those presented in this valuation. Effective for measurement dates February 15, 2023 or later, Actuarial Standard of Practice 4 (ASOP 4) requires an actuary performing a funding valuation to calculate and disclose a “low-default-risk obligation measure” (LDROM) as of the measurement date. The LDROM is based on a discount rate derived from low-default-risk fixed income securities. This measure is for disclosure purposes only and does not affect or replace measurements adopted for System funding. A comparison of the LDROM to funding policy results can be viewed as providing information related to investment risk and the tradeoffs between a System’s current asset allocation and a hypothetical portfolio containing 100% low-default-risk fixed income securities.

The System’s target allocation selected by the Oregon Investment Council represents a balance of risk and return. Investing in an entirely low-default-risk fixed income allocation would be expected to reduce future investment returns and therefore increase future required contributions, but the lower risk levels may result in lower year-over-year volatility in the contribution and might provide more benefit security for plan members. Conversely, investing in higher-returning asset classes may increase future investment returns and therefore reduce future employer contributions, but would also increase the volatility of those contributions and potentially reduce benefit security for plan members.

The LDROM measure shown below reflects an interest rate based on the FTSE Liability Index (which is based on high-quality corporate bond yields) as of the valuation date, weighted based on projected benefit payments for the System. Except for the interest rate, the LDROM was calculated using the same assumptions and methods adopted for the funding valuation.

<i>\$ billions</i>	<b>FTSE Index (LDROM)</b>	<b>Funding assumption</b>
Interest rate	4.81%	6.90%
Actuarial liability at 12/31/2023	\$ 136.4	\$ 106.4
Funded status (excluding side accounts) at 12/31/2023	56%	72%

This work product was prepared for discussion purposes only and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

# Actuarial Basis

## Data

We have based our calculation of the liabilities on the data supplied by the Oregon Public Employees Retirement System and summarized in the data exhibits on the preceding slides.

Assets as of December 31, 2023, were based on values provided by Oregon PERS reflecting the Board's earnings crediting decisions for 2023.

## Methods / Policies

*Actuarial Cost Method:* Entry Age Normal, adopted effective December 31, 2012.

*UAL Amortization:* The UAL for OPSRP and Retiree Health Care as of December 31, 2007 were amortized as a level percentage of combined valuation payroll over a closed 16-year period for OPSRP and a closed 10-year period for Retiree Health Care. For the Tier One/Tier Two UAL, the amortization period was reset at 20 years as of December 31, 2013. Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier One/Tier Two UAL over a closed 22-year period at the December 31, 2019 rate-setting valuation which will set actuarially determined contribution rates for the 2021-2023 biennium. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over the amortization period (20 years for Tier One/Tier Two, 16 years for OPSRP, 10 years for Retiree Health Care) from the odd-year valuation in which they are first recognized.

For the Retiree Health Care programs (RHIA and RHIPA), beginning with the December 31, 2021 rate-setting valuation the amortization policy when a program is over 100% funded status will be to amortize the actuarial surplus over Tier One/Tier Two payroll using a rolling 20-year amortization basis. The resulting negative UAL Rate will offset the normal cost rate for the program, but not below 0.0%. If either program subsequently fell below 100%, the UAL would be amortized over combined payroll following the 10-year closed, layered amortization policy.

# Actuarial Basis

## Methods / Policies (cont'd)

**Contribution rate stabilization method:** The UAL Rate contribution rate component for a rate pool (e.g. Tier One/Tier Two SLGRP, Tier One/Tier Two School Districts, OPSRP) is confined to a collared range based on the prior biennium's collared UAL Rate contribution rate component (prior to consideration of side account offsets, SLGRP transition liability or surplus rates, or pre-SLGRP liability rate charges or offsets).

**Collar Width:** the rate pool's new UAL Rate contribution rate component will generally not increase or decrease from the prior biennium's collared UAL Rate contribution rate component by more than the following amount:

- Tier One/Tier Two SLGRP and Tier One/Tier Two School District Pool: 3% of payroll
- OPSRP: 1% of payroll
- Tier One/Tier Two rates for independent employers: greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation. In addition, the UAL Rate will not be allowed to be less than 0.00% of payroll for any Tier One/Tier Two independent employer with a funded status (excluding side accounts) less than 100%.

**UAL Rate decrease restrictions:** the UAL Rate for any rate pool will not be allowed to decrease if the pool's funded status is 87% (excluding side accounts) or lower; the allowable decrease will phase into the full collar width from 87% funded to 90% funded.

The contribution rate stabilization method is considered an output smoothing method which results in a reasonable relationship between the smoothed contribution and the corresponding actuarially determined contribution without output smoothing.

**Expenses:** System-wide administration expenses are assumed to be equal to \$64.0M. The assumed expenses are allocated between Tier One/Tier Two and OPSRP based on projected payroll and are added to the respective normal costs.

**Actuarial Value of Assets:** Equal to Market Value of Assets excluding Contingency and Tier One Rate Guarantee Reserves. The Tier One Rate Guarantee Reserve is not excluded from assets if it is negative (i.e., in deficit status). The Actuarial Value of Assets includes the value of Employee Pension Stability Accounts (EPSA).

# Actuarial Basis

## Methods / Policies (cont'd)

**Actuarially Determined Contribution (ADC):** The contribution determined by the plan's funding policy is expected to exceed the normal cost, plus interest on the unfunded actuarial accrued liability. Presuming that all actuarial assumptions are realized and that the plan sponsor makes contributions anticipated by the funding policy, the unfunded actuarial accrued liability is expected to be fully amortized no later than 20 years after the contribution rates determined in this valuation take effect. The funding policy is consistent with the plan accumulating assets adequate to make benefit payments when due. Actuarial standards require the actuary to calculate and disclose a "Reasonable ADC", which considers that the actuarial methods and actuarial assumptions are in compliance with Actuarial Standards of Practice. Based on the assumptions and methods used in this report, we believe the ADC is reasonable in accordance with actuarial standards. In our opinion, the ADC reflects a balance among benefit security for plan members, intergenerational equity among stakeholders, and stability of periodic costs.

We considered reflecting the 18-month delay between the rate-setting valuation date and the July 1 date on which newly adopted rates first take effect. The effect of the contribution time lag is not reflected for regular UAL amortizations but is reflected for amortization of side accounts and Pre-SLGRP amounts. Please see the in the 2022 Experience Study for the discussion and rationale for this methodology.

## Assumptions

Assumptions for valuation calculations are as described in the 2022 Experience Study for Oregon PERS and presented to the PERS Board in July 2023.

## Provisions

Provisions valued are as detailed in the 2023 Valuation Report.