Unfunded Actuarial Liability Resolution Program

Guide to Understanding **Your Valuation**

Independent Employers

The purpose of this guide, created as part of PERS' Unfunded Actuarial Liability (UAL) Resolution Program, is to help employers identify and understand the most important information in your actuarial valuation.

OREGON PERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

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Disclaimer

This guide is for employer educational purposes only and is not intended to provide legal or financial advice. If there is any conflict between this guide and federal law, Oregon law, or administrative rules, the laws and rules shall prevail.

About this guide

This guide is designed to explain PERS employer rate information in as simple terms as possible; therefore, some actuarial information is generalized and may not apply to all situations or employers.

Terms that are **cherry-red** colored are defined in the "Glossary" section at the end of this guide. Click a term to go to the definition.

Click "return to table of contents" in the footer of any page to return to the beginning of the guide.

Links to pages on the PERS website are included throughout to enable you to dive deeper into certain topics.

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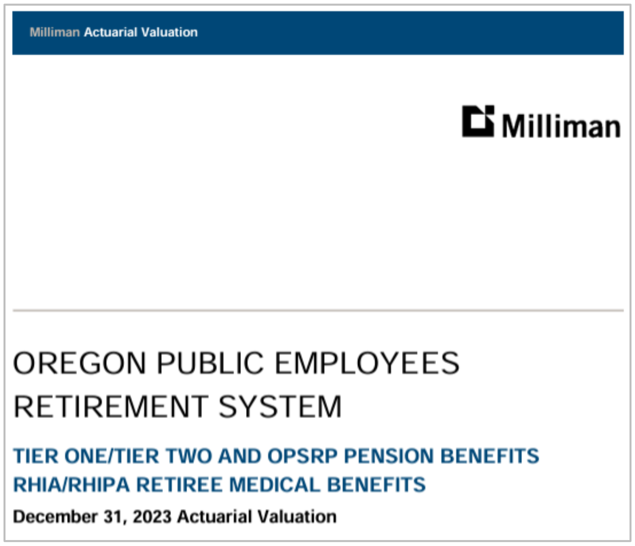
This guide is one of a series. To see the other guides, go to the UALRP Educational Guides section of the PERS website.

Assistance

If you have any questions or concerns about your specific scenario, email Actuarial.Services@pers.oregon.gov.

Introduction

Every even-numbered year, PERS publishes a system-wide valuation report in addition to **actuarial valuation** reports for every PERS-participating employer. These reports are calculated and created by PERS' consulting **actuary**, based on information gathered the previous (odd) year. You can download your actuarial valuation report from the Actuarial Valuations webpage on the PERS website.



Milliman Actuarial Valuation

Milliman

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

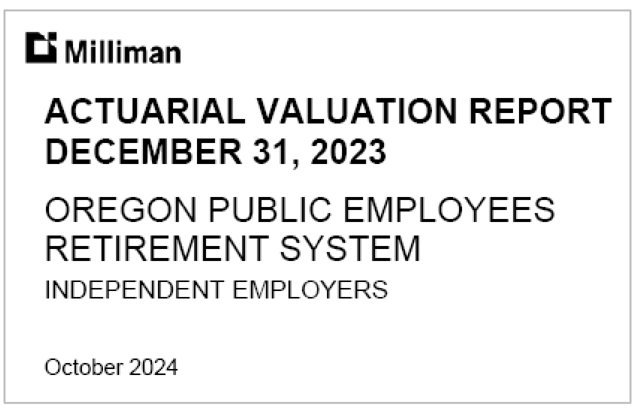
TIER ONE/TIER TWO AND OPSRP PENSION BENEFITS
RHIA/RHIPA RETIREE MEDICAL BENEFITS

December 31, 2023 Actuarial Valuation

Figure 1: System-wide valuation report

The system-wide valuation report (PDF) overviews the financial health of the PERS system and presents actuarial estimates of the system-wide liabilities and expenses of PERS, including pension benefits and retiree medical benefits.

It also provides information on system-wide average employer contribution rates and employer rates by **pool**.



Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2023

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

INDEPENDENT EMPLOYERS

October 2024

Figure 2: Employer valuation report

Employer valuation reports (on the Actuarial Valuations webpage) are informational supplements to the system-wide report. They provide details on employer contribution rates and the data used to calculate the rates.

Valuation reports are grouped by pool:

1. State and Local Government Rate Pool employers.
2. School District Rate Pool employers.
3. Independent employers.

To learn more

If you have questions about any of the information in this guide or about your agency's particular situation, email PERS Actuarial Activities Section at Actuarial.Services@pers.oregon.gov.

Roles and responsibilities

The Oregon Legislature sets PERS' benefit design

The Oregon Legislature is the "plan sponsor" for PERS, the system, and has the sole authority to determine the benefit structure for public employees.

When making legislative changes to PERS, legislators look to their constituents, lobbyists, and other stakeholders to provide them with information about upcoming bills during a legislative session.

To read about recent legislation affecting PERS, visit the Legislation Impacting PERS webpage.

PERS administers the system

PERS, the agency, administers the retirement system (aka, the plan) for employers and plan members. In doing so, PERS follows Oregon statutes, state laws, and federal laws.

PERS collects employer contributions, which are deposited into the PERS Fund, and sends retirees their pension and IAP checks. PERS provides legislative and plan information to plan members and employers. PERS also provides web-based tools (i.e., OMS and EDX) that enable members and employers to manage their plans.

Oregon State Treasury and Oregon Investment Council invest the money

The Oregon State Treasury and Oregon Investment Council invest the money in the Oregon PERS Fund to get the greatest return without incurring excessive risk. To learn more about how the PERS Fund is invested, go to the PERS Fund/Investments webpage.

Employers fund the system

Employers pay for the retirement benefits of their future retirees. To understand how your contribution rates are calculated, read the *Guide to Understanding Your Rate* (PDF).

Find your current rates on the Employer Contribution Rates webpage.

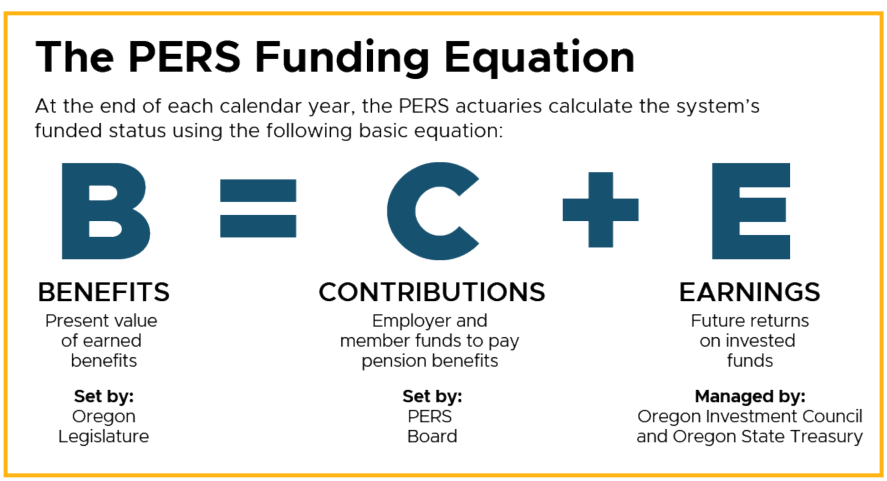


Figure 3: How PERS is funded

Independent Employers valuation

Your Independent Employers actuarial valuation is a document containing about 30 pages; however, most of the essential information you need is on 8 to 10 pages, depending on your individual rates. This section highlights the most essential pages of this valuation to ensure you are fully optimizing available data for budgeting and forecasting purposes.

You can download your actuarial valuation report from the Actuarial Valuations webpage on the PERS website.

Key sections in the valuation

To pull out the most useful information from your valuation report, focus on the sections called out in the valuation table of contents.

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Figure 4: Key sections

A	**Executive Summary**: This section provides all of your basic information: your employer rates, your **funded status**, and the data that was used to determine most of these rates.
B	**Principal Valuation Results and employer-specific calculations**: These pages give details on how your employer-specific rate was calculated.
C	**Data**: These pages give specific information about your members through the previous calendar year. We won't go over these pages in detail in this guide.
D	**Brief Summary sections**: These sections include a brief summary of the changes to actuarial methods and/or assumptions and any plan changes that may have affected your rate.

Executive Summary section

Employer Contribution Rates

This page details the individual rates that make up your total net **contribution rate**. In the valuation, there are separate pages that explain the rate calculations for the **normal cost rate** and side account calculations because they are employer-specific and based on your payroll and specific **amortization** factor.

The calculations for the Tier One/Tier Two **UAL rate**, Oregon Public Service Retirement Plan (OPSRP) UAL rate, **Member Redirect offset**, and retiree healthcare rates are available in the system-wide valuation (PDF).

Employer Contribution Rates Effective July 1, 2025

	Payroll		
		OPSRP	
	Tier One/Tier Two	General Service	Police & Fire
Pension			
Normal cost rate	18.45%	10.47%	15.74%
Tier One/Tier Two UAL rate (A)	9.42%	9.42%	9.42%
Multnomah Fire District #10 UAL rate (B)	0.06%	0.06%	0.06%
OPSRP UAL rate (C)	2.69%	2.69%	2.69%
Side account rate relief [1]	(2.56%)	(2.56%)	(2.56%)
Member redirect offset [2]	(2.40%)	(0.65%)	(0.65%)
Net employer pension contribution rate	**25.66%**	**19.43%**	**24.70%**
Retiree Healthcare (D)			
Normal cost rate	0.04%	0.00%	0.00%
UAL rate (E)	(0.04%)	0.00%	0.00%
Net retiree healthcare rate	**0.00%**	**0.00%**	**0.00%**
Total net employer contribution rate	**25.66%**	**19.43%**	**24.70%**

[1] *The side account rate relief shown may be reduced such that the net pension contribution rate does not go below 0.00%.*

[2] *Redirected member contributions under Senate Bill 1049 (2.50% of payroll for Tier One/Tier Two 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.* (F)

Figure 5: Rates

A	The development of your Tier One/Tier Two normal cost and UAL rates is covered in detail in later pages of the valuation and this guide; this page of the valuation is intended to provide a high-level summary of all of your rates.
B	As part of 2003 legislation, the UAL for Multnomah Fire District #10 was allocated to all Tier One/Tier Two employers (i.e., employers who employ Tier One or Tier Two members). Some employers are mandated to pay slightly more than others, but the total amount for most employers is 0.06%.
C	All employers pay the same OPSRP normal cost and UAL rates because OPSRP is a pool. Although you are an independent employer, employers do not have a choice in joining the OSPRP Pool.
D	Retiree Healthcare is also a pool. All employers with Tier One/Tier Two payroll pay the same RHIA normal cost.
E	**RHIA** is currently funded at more than 100%. That is why there is no unfunded actuarial liability (UAL) rate assigned. If RHIA did have a **UAL**, that would be charged to OPSRP payroll as well. UAL is charged across all payrolls, just like with the OPSRP and Tier One/Tier Two UAL rate.
F	The fine print: 1. An employer's net rate cannot be 0%. To prevent this, offsets or surpluses cannot be applied to the retiree healthcare rate. In the event that RHIA has a 0% normal cost rate, contribution rates will be adjusted to prevent a 0% contribution rate. 2. The **member redirect offset** reduces your normal cost rate. In this employer example, the new Tier One/Tier Two normal cost rate will be 16.05%, the new OPSRP General Service normal cost rate will be 9.82%, and the OPSRP Police and Fire normal cost rate will be 14.82%.

Employer Contribution Rates — Range of Potential Rates

Important for budgeting and forecasting.

The Range of Potential Tier One/Tier Two Employer Pension Contribution Rates section indicates the pool's minimum and maximum rates for 2025-27 under various funding scenarios. In December of each year, the PERS actuary provides a financial modeling presentation that projects where they think the system will be, including funded status.

Once the projected funded status for 2025 is known, you can enter these rates into your rate-projection tool or the PERS Employer Rate-Projection Tool to anticipate the effect they will have on future budgets.

Employer Contribution Rates (continued)

Range of Potential Tier One/Tier Two UAL Contribution Rates for the July 2027 to June 2029 Biennium

The rate collar limits changes in the Tier One/Tier Two UAL Rate for an employer, but does not limit changes related to side accounts and does not limit the change in the normal cost rate. The table below shows the possible minimum and maximum Tier One/Tier Two UAL Rates first effective as of July 1, 2027. The collar width, which in general is the amount the UAL Rate could increase or decrease from the current UAL Rate being paid, is 4% of pay or (if greater) one-third of the difference between the collared and uncollared UAL rates at the last rate-setting valuation. However, the UAL Rate is only allowed to decrease by the full collar width if the employer's funded status (excluding side accounts) is greater than or equal to 90%. The UAL Rate is not allowed to decrease at all if funded status is below 87%, and the allowable decrease is phased in for funded status levels from 87% to 90%.

For reference, the employer's funded status (excluding side accounts) as of December 31, 2023 is 64%.

2025-2027 Biennium	2027-2029 Biennium	
	13.42%	<<<No higher than this
9.42%	9.42%	<<<No lower than this if December 31, 2025 funded status is 87% or lower
	5.42%	<<<No lower than this if December 31, 2025 funded status is 90% or higher

Figure 6: Range of potential UAL rates

Principal Valuation Results

This page summarizes your valuation results. The following six sections provide the most important information.

	Actuarial Valuation as of	
	December 31, 2023	December 31, 2022
Tier One/Tier Two UAL A	$101,775,118	$94,548,117
Allocated pooled OPSRP UAL B	21,162,726	17,186,822
Side account C	19,377,790	21,652,575
Net unfunded pension actuarial accrued liability D	103,560,054	90,082,364
Combined valuation payroll E	79,106,794	68,200,124
Net pension UAL as a percentage of payroll	131%	132%
Calculated side account rate relief	(2.56%)	(3.60%)
Allocated pooled RHIA UAL F	($2,066,756)	($1,845,436)

Figure 7. Summary of principal valuation results

A	This represents your Tier One/Tier Two unfunded actuarial liability (**UAL**). The details of this calculation are located in the Principal Valuation Results section of your valuation.
B	OPSRP is a pool in which all employers participate. Employers are allocated a percentage of the pool's UAL based on their **combined valuation payroll**. This does not change your OPSRP rate.
C	If you have a side account, that total amount will be listed in this row.
D	Your net unfunded pension **actuarial accrued liability** is the result of adding your Tier One/Tier Two and OPSRP UALs and subtracting your side account (if applicable).

Continued

E	Combined valuation payroll is not the same as your **subject salary**, but it is based on your reported salary through the end of the calendar year. Combined valuation payroll is the projected payroll for the year following the valuation date (in this case, 2024). It is calculated using actuarial assumptions of wage and salary growth as well as demographic assumptions. Actual **experience** will be adjusted in the subsequent valuations. **This is the single greatest factor employers can control.** While the actual amount is a projection, if you have a significant change in your payroll, it will affect the calculation for many of your individually calculated rates such as **normal cost** and your side account rate offset. Your combined valuation payroll also determines how much of each pool's UAL is allocated to you.
F	As with Tier One/Tier Two UAL and OPSRP, this is the allocated portion of the RHIA pool's UAL based on your combined valuation payroll. It is negative because the pool is currently fully funded. It is not factored into your net pension UAL.

Weighted Average Tier One/Tier Two Normal Cost

Normal cost represents the amount that employers would need to contribute each year to fund plan benefits if there were no UAL.

Weighted normal cost means your Tier One/Tier Two rate is calculated and influenced by the Tier One/Tier Two payroll you actually have. To determine your rate, divide your normal cost amount by your total payroll for that classification.

If you don't have any Tier One/Tier Two payroll, the weighted average normal cost will be assigned, and this page will be blank. PERS will always enter rates for all payroll types, even if you don't currently have any of that classification on your payroll, just in case you do hire someone of that classification during the biennium.

Tier One/Tier Two Valuation Results

Contribution Rate Development

Normal Cost Rate

For independent employers, the normal cost calculated previously is divided by projected payroll to determine a normal cost rate. The table below shows the development of the rate for each tier and member classification. Normal cost rates shown below are before any offset for redirected member contributions under Senate Bill 1049.

Development of Tier One/Tier Two Total Normal Cost Rate

	December 31, 2023			December 31, 2022		
	Normal Cost	Employer Tier One/Tier Two Valuation Payroll	Normal Cost Rate	Normal Cost	Employer Tier One/Tier Two Valuation Payroll	Normal Cost Rate
Tier One Police & Fire	$330,666	$1,393,168	23.73%	$367,192	$1,461,886	25.12%
Tier One General Service	194,362	1,303,016	14.92%	218,853	1,391,373	15.73%
Tier Two Police & Fire	1,555,286	7,117,070	21.85%	1,543,366	7,006,509	22.03%
Tier Two General Service	707,517	5,300,319	13.35%	688,255	5,044,009	13.64%
Total	**$2,787,831**	**$15,113,573**	**18.45%**	**$2,817,666**	**$14,903,777**	**18.91%**

An independent employer that has no Tier One/Tier Two active payroll will be assigned the weighted average normal cost rate of all independent employers as calculated in the system-wide actuarial valuation report.

Figure 8. Tier One/Tier Two normal cost rate

Side Account Information section

Valuations are the only time you are given an accurate update on your side accounts.

Reconciliation of Side Accounts

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.

	A New	Continuing	Total
1. Side account as of December 31, 2022	N/A	**$21,652,575**	**$21,652,575**
2. Deposits made during 2023			
3. Administrative expenses		(1,500)	(1,500)
4. Amount transferred to employer reserves during 2023		B (3,417,874)	(3,417,874)
5. Side account earnings during 2023		1,144,589	1,144,589
6. Side account as of December 31, 2023 *(1. + 2. + 3. + 4. + 5.)*		**$19,377,790**	C **$19,377,790**

Figure 9: Side account reconciliation

A	The New column lists any new side accounts added during the valuation year. The Continuing column lists existing side accounts. In the event that an employer has activity in both the New and Current columns, the total will be listed in the Total column.
B	The amount transferred to your employer reserves was used to offset your rates in the past year.
C	The total side account is the side account balance that was used to calculate your side account rate.

Development of side account rate

Using the reconciliation information from the prior page, along with your combined valuation payroll, the actuary displays the information used to develop your side account rate offset in this table. If you have more than one side account, you will see the balance for each side account. The actuary will also provide the amortization factor and the individually calculated rate for each side account.

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, 2023			December 31, 2022		
	Combined valuation payroll		$79,106,794 A	Combined valuation payroll		$68,200,124
	Side account balance	Amortization factor [1,2]	Side account rate [1]	Side account balance	Amortization factor [1,2]	Side account rate [1]
1.	$4,831,787	5.604	(1.09%)	$6,387,810	5.090	(1.84%)
2.	5,205,756	11.751	(0.56%)	5,511,633	12.062	(0.67%)
3.	9,340,246	12.975	(0.91%)	9,753,132	13.120	(1.09%)
4.	0		0.00%	0		0.00%
5.	0		0.00%	0		0.00%
Total	**$19,377,790**		**(2.56%)** B	**$21,652,575**		**(3.60%)**

[1] *Amortization factor and side account rate not shown for side accounts with less than two years remaining in the amortization period*
[2] *Effective December 31, 2022, includes adjustment for contribution lag as described in the system-wide actuarial valuation report*

Figure 10: Side account rate

A	The actuary provides data for the year that they used for the current valuation and the prior valuation. You should use this data for a quick comparison to determine why your rate may be higher or lower than expected. In this scenario, the employer has had an increase in payroll, which will lead to a reduced side account balance. However, with the addition of a second side account, the side account rate offset overall is increased.
B	This is your projected side account rate for the next biennium. Side account rate offset = side account balance ÷ combined valuation payroll ÷ amortization factor. If you have multiple side accounts, your side account rates are added together to determine your total rate offset.

Tier One/Tier Two Valuation Results

This section details how the actuary calculated your Tier One/Tier Two rate.

Contribution Rate Development

Employer Contribution Rate Summary (Pre-Rate Collar)

This rate reflects the contribution rate required to pay for projected Tier One/Tier Two normal cost rates and UAL rates without the rate collar. If an employer were assigned these rates, they would be paying the actual amount required for their normal costs and their UAL obligations.

Employers can always opt to pay the uncollared rate or a rate higher than the amount shown on their employer contribution rates summary.

It is important to see your rates before and after your rate collar to understand the effect the collar is having on your rates. The full development of these rates is listed in the Contribution Rate Development section of your valuation.

Contribution Rate Development

Tier One/Tier Two Employer Contribution Rate Summary (Pre-Rate Collar)

The following table summarizes the employer's pension contribution rate for Tier One/Tier Two. The normal cost rates apply to Tier One/Tier Two payroll only, but all other rates apply to combined valuation payroll. These rates do not reflect adjustments due to the rate collar or side accounts.

	July 1, 2025 Rates calculated as of December 31, 2023	Advisory July 1, 2025 Rates calculated as of December 31, 2022
1. Tier One/Tier Two pension contribution rates		
a. Tier One/Tier Two pension normal cost rate (A)	18.45%	18.91%
b. Tier One/Tier Two UAL rate	9.42%	9.89%
c. Multnomah Fire District #10 rate	0.06%	0.08%
d. Total Tier One/Tier Two pension rate (B) *(a. + b. + c.)*	27.93%	28.88%

Figure 11: Contribution rate pre-rate collar

A	Normal cost ÷ Tier One/Tier Two valuation payroll = normal cost rate. The normal cost calculation is also included separately in your valuation.
B	Your total Tier One/Tier Two UAL rate (pre-rate collar) is determined by dividing next year's Tier One/Tier Two UAL payment by the combined valuation payroll. Because it also includes the Multnomah Fire District #10 rate, add that number as well when comparing to the results on page 1 (PDF p. 6) of your valuation.

Adjustments Due to Rate Collar and Minimum Rate Requirements

The collar width for The Tier One/Tier Two UAL rate is the greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL rate at the prior rate-setting valuation.

The maximum Tier One/Tier Two UAL rate will always be at least 0% of payroll if the employer's funded status is less than 100%.

The UAL rate may not decrease if the system's funded status (excluding side accounts) is 87% or lower. It may decrease by the full collar width if funded status is 90% or greater.

Adjustments Due to Rate Collar and Decrease Restrictions

The UAL Rate for an employer is confined to a collared range based on the prior biennium's collared UAL Rate. For an independent employer, the collar width for the Tier One/Tier Two UAL Rate is the greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL Rate at the prior rate-setting valuation. The maximum Tier One/Tier Two UAL Rate will always be at least 0.00% of payroll if the employer's funded status (excluding side accounts) is less than 100%. The PERS Board adopted restrictions on when the UAL Rate may decrease: the UAL Rate may not decrease if the funded status (excluding side accounts) is 87% or lower, while it may decrease by the full collar width if funded status is 90% or greater. The allowable decrease is phased in from 87% to 90% funded.

The table below shows the current Tier One/Tier Two UAL Rate for the period from July 1, 2023 through June 30, 2025, develops the maximum and minimum UAL Rates effective July 1, 2025 based on the collar, and determines the collared Tier One/Tier Two UAL Rate.

	1. Current Tier One/Tier Two UAL Rate	8.30%
A	2. Size of rate collar	
	a. Impact of rate collar, prior rate-setting valuation	0.00%
	b. Size of rate collar *(maximum of 4% or absolute value of [a. / 3])*	4.00%
	c. Funded percentage	64%
B	d. Permissible decrease to UAL Rate *(If c. > 90%, b.; if c. < 87%, 0.00%; otherwise, graded between those rates)*	0.00%
	3. July 1, 2025 minimum Tier One/Tier Two UAL Rate (1. – 2.d.)	8.30%
	4. July 1, 2025 maximum Tier One/Tier Two UAL Rate (1. + 2.b., but not less *than 0% if 2.c. < 100%)*	12.30%
	5. July 1, 2025 Tier One/Tier Two UAL Rate, before collar	9.42%
C	6. Net adjustment due to rate collar *(3. – 5., but not < 0, or 4. – 5., but not > 0)*	0.00%
D	7. July 1, 2025 Tier One/Tier Two UAL Rate, after collar (5. + 6.)	9.42%

Figure 12: Rate collar adjustments

Continued

A	Size of rate collar: The size of the rate collar is the greater of 4% of payroll or one-third of the difference between the collared and uncollared UAL rate at the prior rate-setting.
B	The funded status can affect the rate collar. This is an example of the one-third rule and sets the size of the collar.
C	The minimum UAL rate is the current rate unless the funded ratio is greater than 90%. The maximum Tier One/Tier Two UAL rate is the current UAL rate minus the size of the rate collar.
D	This is the new UAL rate (before RHIA).

Employer Contribution Rate Summary (Post-Rate Collar)

These are the rates you will pay following the rate collar. You should be aware of any adjustment caused by the rate collar and the potential effect this can have on your rates for each rate-setting period. Remember, you can choose to pay higher rates than the ones listed below.

Any net adjustment caused by the rate collar will be applied to the Tier One/Tier Two UAL rate only.

Tier One/Tier Two Employer Contribution Rate Summary (Post-Rate Collar)

The table below summarizes the employer's pension contribution rate for Tier One/Tier Two after adjustments for the rate collar.

	July 1, 2025 Rates calculated as of December 31, 2023		Advisory July 1, 2025 Rates calculated as of December 31, 2022
1. Tier One/Tier Two pension contribution rates			
a. Tier One/Tier Two pension normal cost rate	18.45%		18.91%
b. Tier One/Tier Two UAL rate	9.42%	A	9.89%
c. Multnomah Fire District #10 rate	0.06%		0.08%
d. Total Tier One/Tier Two pension rate *(a. + b. + c., minimum 0.00%)*	27.93%	B	28.88%

Figure 13: Contribution rate post–rate collar

A	In this example, the Tier One/Tier Two UAL rate was 9.42%. Because this is within the permitted range of 8.30% to 12.30%, there is no rate collar adjustment needed.
B	The Tier One/Tier Two pension rate was 27.93%. Because the rate collar was not applied, the post–rate collar total pension rate is unchanged from the pre–rate collar rate.

Brief Summary section

Actuarial Methods and Assumptions

This page explains the PERS Board–approved methods and assumptions the actuary used to develop employer **contribution rates**. The board reviews the methods and assumptions every even-numbered year. Any changes are incorporated and modeled in the advisory **actuarial valuation** before being implemented in the rate-setting valuation.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2023 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:

Actuarial cost method	Entry Age Normal.
Amortization method	The UAL is amortized as a level percentage of combined payroll. A The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10-year period. If a Retiree Healthcare program is over 100% funded the actuarial surplus is amortized over a rolling 20-year period over Tier One/Tier Two payroll. Senate Bill 1049 was signed into law in June 2019 and required a one-time re-amortization of Tier One/Tier Two UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which set actuarially determined contribution rates for the 2021-2023 biennium. Future Tier One/Tier Two 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.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	The contribution rate stabilization method, also referred to as the rate collar, is applied separately to OPSRP and to each Tier One/Tier Two experience sharing pool (State and Local Government Rate Pool, School Districts) and independent employer. The UAL Rate contributon rate component is confined to a collared range based on the prior biennium's collared UAL Rate and a defined collar width. The UAL Rate is not allowed to decrease if the funded status of the rate pool or employer is 87% or lower. The rate collar does not limit the change in the normal cost rate or changes for individual employers related to side accounts.

Economic Assumptions B

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

Investment return	6.90% compounded annually on system assets.
Interest crediting	6.90% compounded annually on members' regular account balances. 6.90% compounded annually on members' variable account balances.
Inflation	2.40% per year.
Payroll Growth	3.40% per year.
Healthcare cost trend	Ranging from 6.6% in 2023 to 3.8% in 2074.
Administrative Expenses	$64 million per year is added to the total system normal cost and allocated between Tier One/Tier Two and OPSRP based on valuation payroll.

Figure 14: Brief summary of actuarial methods

A	The **amortization** periods are different for Tier One/Tier Two, OPSRP, and Retiree Healthcare. That makes a big difference when incorporating legislative changes or changes that fall outside of actuarial assumptions. For example, if there is a significant salary increase across all payrolls, OPSRP may see more of that increase in their rates because they are only amortized over 16 years. However, they will also resolve that increase over a shorter period of time and have less legacy debt.
B	The biggest factors affecting the economic assumptions are the investment return rate and the interest crediting rate, which are both currently 6.90%.

Changes

This page in your valuation describes changes in methods and assumptions since the last valuation.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2022 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2022 actuarial valuation. A complete summary of the Tier One/Tier Two, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide actuarial valuation report.

Changes in Assumptions

The retirement assumptions for OPSRP Police and Fire members were revised to estimate possible changes in retirement patterns that could arise from the plan changes included in House Bill 4045. There were no other changes in assumptions since the December 31, 2022 actuarial valuation. A complete summary of the Tier One/Tier Two, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide actuarial valuation report.

Figure 15: Brief summary of changes

Talking points

Causes of rate change

- Remember that the biggest factor an employer controls is the **combined valuation payroll**. If there is a significant change in your rate, compare the combined valuation payroll in the last rate-setting valuation to the one in the most recent rate-setting valuation. The actuary uses an assumption of 3.4% payroll growth per year.
- Determine if there was or is now a **rate collar** applied to the rate. Rate collars are calculated for Tier One/Tier Two UAL increases as well as OPSRP increases. If a rate collar is justified, it will be applied to the applicable UAL rate.

For additional explanations of changes in the system rates:

- System-Wide Valuation Report: Click the current year and then the document called "System-Wide [year] Valuation Report."
- Actuary presentations to the PERS Board: Click on a meeting date to open the packet, which includes the actuary's presentation of the valuation report.
- Employer Rate Summary: This website documents the changes that occurred since the last rate-setting valuation, including legislative changes.

Financial modeling presentation

For more explanations about changes in system rates, refer to the *Guide to Financial Modeling* available on the UAL Resolution Program webpage.

The guide provides explanations of the latest financial modeling information, as presented by the PERS actuary to the PERS Board at the end of each year. The guide explains how current assumptions and projections will affect the unfunded actuarial liability (UAL), base and net rates, and funded status over a long period of time.

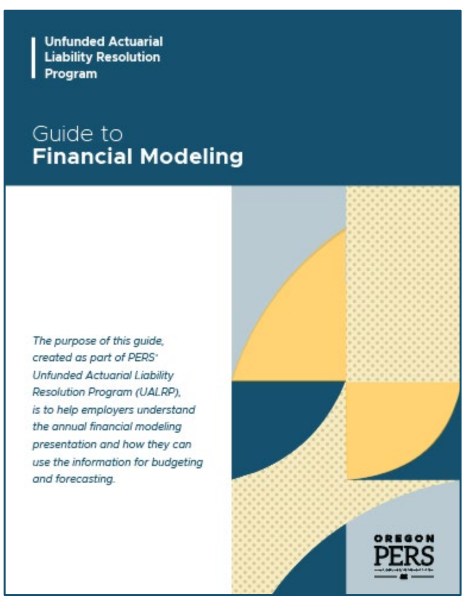

Figure 16. ***Guide to Financial Modeling***

Using the Employer Rate Projection Tool (ERPT)

Using the information shared in this guide, consider using the PERS Employer Rate Projection Tool to forecast your future contributions.

We encourage you to use the ERPT User Guide (PDF) and the Employer Rate Projection Tool to enhance your current budget and forecasting tools and better manage your contribution rates over time. We cannot provide any budget advice nor guarantee any actuarial outcome; however, we are pleased to provide greater detail to empower you and your boards to make more informed decisions.

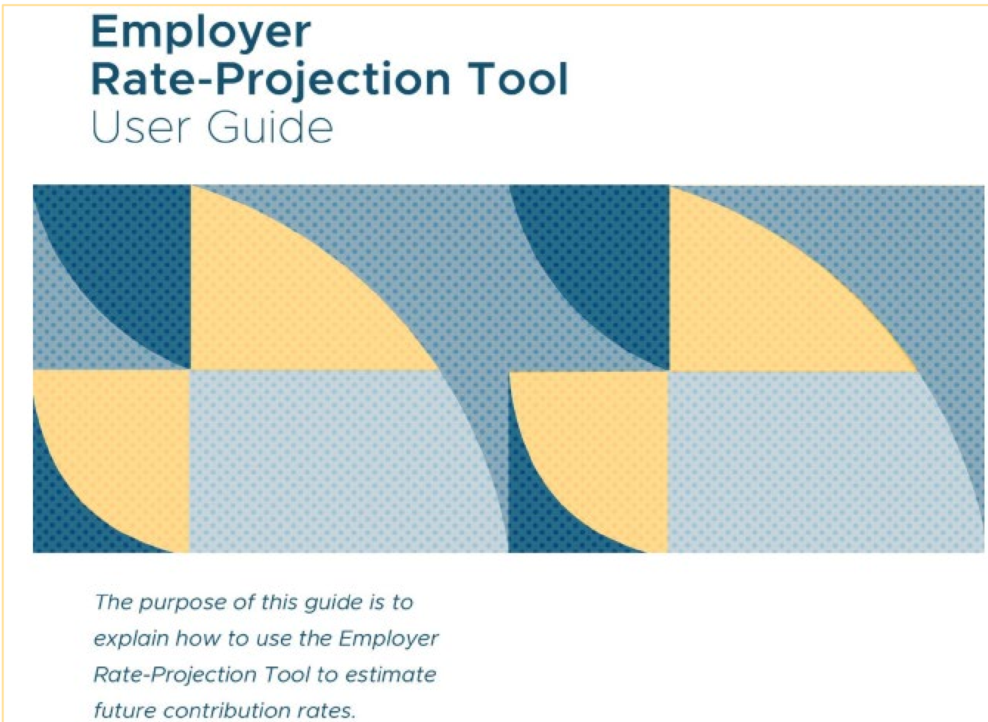

Figure 17: ***ERPT User Guide***

PERS online resources

Actuarial & Financial Information webpage

Employer actuarial valuation reports

Employer contribution rates

Guide to Understanding Your Rate (PDF)

Legislation Impacting PERS webpage

Senate Bill 1049 (2019) – Information and Implementation for PERS Employers webpage

Side Accounts webpage

System-Wide 2023 Actuarial Valuation Report (PDF)

Glossary of actuarial terms

Actuarial accrued liability

Accrued liabilities are the present value of either promised pension benefits or pension obligations. Every year, the PERS plan's actuary calculates the total value of liabilities that have accrued and uses this figure to determine the plan's unfunded liability.

Actuarial valuation

An actuarial valuation is an appraisal of a pension fund's assets and liabilities. A consulting actuary calculates the valuation using assumptions about future economic and demographic conditions to determine the funded status of a pension plan.

Actuary

An actuary uses math, statistics, and financial theory to study uncertain future events, especially those of concern to insurance and pension programs.

Advisory rate

In the fall of odd-numbered years, the PERS actuary produces advisory employer contribution rates for all employers for the upcoming biennium. These rates represent actual experience but will not affect your rate.

Amortize/amortization

Amortization is an accounting technique used to spread costs over time that could compromise current cash flow, like a mortgage on a house.

Assets

Your assets are the money going into your pension, such as your employer contributions and earnings on investments.

Assumed rate

The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term.

The PERS Board decides the assumed rate based on:

- The long-term projection of investment returns based on the asset allocations of the Oregon Investment Council and the related capital market expectations.
- PERS' actuary's independent analysis of the projected returns from that asset allocation over a long-term investment horizon.

The current assumed rate is 6.9%, which has been in effect since January 1, 2022. The assumed rate is reviewed, adopted, and incorporated into Oregon Administrative Rule by the PERS Board every two years as part of the system's Experience Study.

Combined valuation payroll

Projected payroll as calculated by the PERS consulting actuary for the calendar year following the valuation date for Tier One, Tier Two, and OPSRP active members. This payroll is used to calculate UAL rates and is based on the actual payroll reported by the employer.

Contribution rate

An employer's contribution rate is the percentage of payroll you pay to PERS to fund the pension benefits of your employees. It does not include the 6% Individual Account Program (IAP) contribution, even if you are paying it on your employees' behalf.

Employer pool

Pooling groups individual employers with other employers for the purpose of determining pension costs and contribution rates. Pooling stabilizes employer rates by spreading the cost of financial and demographic changes, such as a drop in fund earnings or payroll reductions, across multiple employers rather than assigning the entire cost to a single employer. Learn more about employer pooling in the *Guide to Understanding Pooling*: State and Local Government Rate Pool (SLGRP) Edition or School District Pool Edition.

Experience

Experience refers to the actual financial performance of a plan over a year. To project the cost and liabilities of the pension plan, assumptions are made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated. Each year, actual experience is compared against the projected experience, and to the extent there are differences, the future contribution requirement is adjusted.

Funded status

The actuarial value of assets expressed as a percentage of the accrued liability. In other words, how close an employer, pool, or the PERS system is to being able to pay all of the benefits it owes to past and current members. As of December 31, 2023, the system-wide PERS' funded status was 72.4% without side accounts and 77.5% with side accounts.

Each pool also has its own individual funded status:

	SLGRP	**School Districts**	**Independents**
Without side accounts	69.9%	75.9%	66.4%
With side accounts	74.3%	84.7%	71.1%

Geometric average return

This represents the rate of return on investment per year, averaged over a specified time period. For valuation purposes, this is the rate of return averaged over the 20-year amortization period.

Liability

For PERS' actuarial purposes, liabilities represent pension obligations, such as normal cost, benefit payments, demographic experience changes, and/or plan changes.

The employer contribution rates that the PERS actuary creates are all future based. The actuary takes data for a year that passed (e.g., 2021) and projects the correct rate to cover benefit needs 18 months in the future (e.g., 2023-25). It does this by establishing actuarial assumptions, one of which is the assumed rate of 3.4% for salary wage growth. There will be variance year to year, but over a 20-year period the rates average out.

Member Redirect offset

This offset in employer rates is a result of the Member (IAP) Redirect program established by Senate Bill 1049. For all PERS members earning equal to or more than the monthly salary threshold, Member Redirect takes a portion of their 6% IAP contribution and redirects it to a new Employee Pension Stability Account (EPSA). The funds in each member's EPSA will be used to help pay for their future pension benefits, which helps reduce employer rates.

Normal cost

The normal cost is the value of benefits for an employer's current members for the next year of service. If all current actuarial assumptions were met, the normal cost would be the only rate an employer would pay.

Normal cost rate

Your normal cost divided by your applicable payroll is your normal cost rate.

Pool/pooling

See employer pool.

Rate collar

Rate collar is a method of stabilizing contribution rates by preventing sudden rate spikes and drops. The current policy limits only the UAL rate. The collar width varies by pool.

For details, read "Rate-Collar Methodology Updated" in the August 2021 *Employer News*.

Retiree Health Insurance Account (RHIA)

RHIA is a retiree healthcare program funded by separate employer contributions. Tier One/Tier Two retirees and beneficiaries who are Medicare-eligible and participate in the PERS Health Insurance Plan (PHIP) are eligible for a $60 monthly subsidy.

Retiree Health Insurance Premium Account (RHIPA)

RHIPA is a retiree healthcare program funded by separate employer contributions. Tier One/Tier Two retirees and beneficiaries who are not Medicare-eligible and participate in the PERS Health Insurance Plan (PHIP) are eligible for a monthly subsidy. The amount of the subsidy is based on their years of service credit. Only state agencies and the judiciary participate in RHIPA.

Side account

When an employer makes a lump-sum payment to prepay all or part of its pension unfunded actuarial liability (UAL), the money is placed in a special account called a "side account." This account is attributed solely to the employer making the payment and is held separate from other employer reserves. This is the most effective way for an employer to reduce their contribution rate. For SLGRP employers, the deposit is first applied toward your transitional liability, if you have any, and the rest is placed in your side account.

Side account rate

Rate relief attributable to an employer's side account. See Side Account webpage.

Subject salary

Subject salary is an employee's pay and value-added benefits that are included when calculating retirement benefits. PERS contributions are charged on subject salary.

Transition liability/surplus

When an employer joins the SLGRP, a transition liability or surplus is calculated to ensure that each employer enters the pool on a comparable basis.

The transition liability or surplus for each employer is maintained separately from the Tier One/Tier Two UAL for the SLGRP.

UAL

Unfunded actuarial liability (UAL) is the difference between accrued assets (employer contributions and investment earnings) and accrued liabilities (cost of pension benefits earned). If liabilities are larger than assets, that creates debt (i.e., a UAL) that must be paid.

UAL payments are divided equitably among pool members as a percentage added to each pool member's normal cost rate.

UAL rate

The UAL rate is determined by calculating the sum of next year's scheduled amortization payments to the UAL as a percentage of combined valuation payroll.

Each member of an employer pool pays the same UAL rate regardless of the size of the employer.

UALRP

The Unfunded Actuarial Liability Resolution Program (UALRP) provides educational tools and resources, such as this guide, to support employers in creating funding plans to manage their funded status and contribution rates. Participating in the program is required when applying for the Employer Incentive Fund program.