

**PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**ACTUARIAL VALUATION
As of July 1, 2012**

Prepared By

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August 16, 2012

Trustees
Pension Plan for Bargaining Unit
Employees of TriMet

Dear Trustees:

As requested, we performed an actuarial valuation of the Pension Plan for Bargaining Unit Employees of TriMet as of July 1, 2012, for the plan year ending June 30, 2013. The results of the valuation are contained in the following report and are summarized in Section 2.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by TriMet. This includes, but is not limited to, Plan provisions, employee data, and financial information. We believe the employee data and financial information to be sufficient and reliable for the purposes of our calculations. Plan provisions used were based on the plan document restated effective January 1, 2008, Amendment 2009-1 and TriMet staff interpretations and implementations of the pension related provisions included in the arbitration decision issued on July 12, 2012 by the Oregon Employment Relations Board related to the Working and Wage Agreement between TriMet and ATU 757 in effect from December 1, 2009 through November 30, 2012. 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 Plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, is a reasonable estimate of anticipated experience affecting the Plan.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as 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 additional cost or contribution requirements 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. The Board of Trustees has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Pension Plan for Bargaining Unit Employees of TriMet. Actuarial computations under GASB Statements No. 25, No. 27 and No. 50 are for purposes of fulfilling financial accounting requirements. The computations in this report have

been made on a basis consistent with our understanding of the Trustees' funding policies and GASB Statements No. 25, No 27 and No. 50. 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. The effects of GASB Statements No. 67 and No. 68 have not been included in this valuation report.

Milliman's work is prepared solely for the internal business use of the Board of Trustees of the Pension Plan for Bargaining Unit Employees of TriMet. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to 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 its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The Board of Trustees may provide a copy of Milliman's work, in its entirety, to the District, and the District's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the District.
- (b) The Board of Trustees may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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.

Milliman has been engaged by the Board of Trustees as an independent actuary. The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

Sincerely,



Peter R. Sturdivan, FSA, EA, MAAA
Principal and Consulting Actuary



Nina M. Lantz, ASA, EA, MAAA
Principal and Consulting Actuary

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encl.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**ACTUARIAL VALUATION
AS OF JULY 1, 2012**

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1	SCOPE OF THE REPORT 1
2	SUMMARY OF THE FINDINGS..... 2
3	DISCUSSION OF THE VALUATION 7
<i>Table 1</i>	Market Value of Assets..... 10
<i>Table 2</i>	Actuarial Value of Assets..... 11
<i>Table 3</i>	Development of Unfunded Actuarial Accrued Liability..... 12
<i>Table 4</i>	Actuarial Balance Sheet 13
<i>Table 5</i>	Normal Cost 14
<i>Table 6</i>	Determination of Recommended Contribution Schedule..... 15
 <u>Appendices</u>	
A	PLAN PROVISIONS 16
B	ACTUARIAL ASSUMPTIONS AND COST METHOD 22
C	ACCOUNTING INFORMATION
	Schedule of Employer Contributions 29
	Annual Pension Cost and Net Pension Obligation..... 30
	Schedule of Funding Progress 31
D	PARTICIPANT INFORMATION 32
E	ESTIMATED BENEFIT PAYMENTS..... 39



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**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

SECTION 1

SCOPE OF THE REPORT

This report presents the results of our actuarial valuation of the Plan as of July 1, 2012. The purpose of this report is to:

- determine the funded status of the Plan as of July 1, 2012,
- calculate a recommended contribution to fund the Plan's benefits for the fiscal year beginning July 1, 2013, and
- develop the disclosure information required by the Government Accounting Standards Board as of June 30, 2012.

A summary of the findings resulting from this valuation is presented in Section 2 of the report. The discussion found in Section 3 describes the actuarial concepts and methods upon which the findings are based. Tables 1 through 6 of that section summarize the calculations that led to our findings.

Appendix A outlines the benefit and contribution provisions of the Plan.

All of the calculations of the valuation were carried out using certain assumptions as to the future experience of the Plan in matters affecting the actuarial cost. Appendix B summarizes the most important of these assumptions and describes the actuarial procedures used to calculate costs.

Appendix C contains figures which the auditors may require for the preparation of the Plan's financial statements.

The participant data that was supplied to us is summarized in Appendix D.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

SECTION 2

SUMMARY OF THE FINDINGS

The following is a summary of the more important figures developed in this valuation, together with comparable figures from the prior valuation report.

	<u>July 1, 2012</u>	<u>July 1, 2011</u>
Covered Active Participants*	2,019	2,016
Average Age	50.5	50.6
Average Years of Vesting Service	12.8	13.0
Plan Assets		
Market Value	\$ 280,856,410	\$ 285,393,073
Actuarial Value	\$ 290,641,515	\$ 289,425,349
Investment Rate of Return		
Market Value	0.0%	20.6%
Actuarial Value	2.0%	3.3%
Valuation Contribution Amount		
Beginning of Year	\$ 34,997,842	\$ 32,699,032
Amortization Period (Open)	20	20
*Excluding Management Transfers		

The valuation contribution is the annual contribution calculated as of July 1, 2012 and is equal to the sum of the Plan's normal cost, assumed administrative expenses, and an amortization payment to pay off the unfunded actuarial accrued liability over a 20-year amortization period. Based on the valuation contribution amount of \$34,997,842, we have developed the following contribution schedule:

<u>Period</u>		<u>Contribution</u>
July 1, 2012 – June 30, 2013	Anticipated*	\$ 34,826,417
July 1, 2013 – June 30, 2014	Recommended**	\$ 35,553,324

* The anticipated contribution is assumed to be paid on August 15, 2012 and is equal to the recommended contribution based on the July 1, 2011 revised actuarial valuation issued on October 28, 2011 plus an amount to pay off the NPO.

** The recommended contribution is assumed to be payable within a week of September 9th each year.

The above contribution schedule is actuarially equivalent to contributing the valuation contribution for each of the next 20 years beginning on the valuation date. It is based on assumptions that are reasonable estimates of future Plan experience. However, the recommended contribution is subject to change if plan experience is different from that assumed (as it almost certainly will be) or if the Plan is amended. It is also subject to change as past investment gains and losses are reflected in the actuarial value of assets. Under the current funding policy, the recommended contribution is expected to be about the same amount next year if the market value of assets earns 7.75% for the plan year ending June 30, 2013 and all other actuarial assumptions are met. A portion of the \$9.8 million in net investment losses that will be reflected in the actuarial value of assets will be offset by the reduction in the normal cost because the Plan is closed to new entrants.

TriMet may want to reevaluate the current funding policy following the changes to the reporting and accounting requirements of the Plan under Governmental Accounting Standards Board (GASB) Statements No. 67 and 68.

The reconciliation of the Plan's funding measurements since the last valuation is shown below:

Reconciliation			
	Unfunded Actuarial Accrued Liability	Normal Cost	Valuation Contribution
July 1, 2011 Amount	\$ 243,811,342	\$ 10,079,510	\$32,699,062
Expected July 1, 2012 Amount	\$ 252,586,479	\$ 9,426,051	\$32,859,684
Changes to Amount			
<i>Changes Due to Experience (Gains) / Losses</i>			
Asset (gain) / loss	\$ 17,059,186	\$ 0	\$ 1,582,661
Demographic (gain) / loss	7,714,490	1,038,503	1,754,211
Expense (gain) / loss	92,771	0	8,607
Interest on Medicare Reimbursement Payments	39,769	0	3,690
<i>Changes in Methods and Assumptions</i>			
Expense Assumption	\$ 0	\$ 48,135	\$ 48,135
Management Transfers – No Unused Sick Leave Benefit	(1,045,254)	(16,954)	(113,927)
<i>Plan Changes</i>			
Plan Closed to New Entrants	\$ 0	\$ 0	\$ 0
New Multiplier Rates & COLA Timing	797,695	125,780	199,786
90% of COLA for Future Retirees	(8,364,816)	(289,406)	(1,065,449)
Remove 30 & Out Provision	(2,391,294)	(57,704)	(279,556)
July 1, 2012 Amount	\$ 266,489,026	\$ 10,274,405	\$34,997,842

Experience Gains and Losses

Experience gains and losses occur due to Plan experience that is different from the actuarial assumptions used to value the Plan's liabilities and assets. Since actual experience will never exactly match the Plan's assumptions, it is certain that the Plan will experience actuarial gains and losses each year. These gains and losses arise from three sources: investment

experience, expense experience, and demographic experience. During the 2011-2012 plan year, the total experience loss was approximately \$24.9 million.

Investment Experience

The investment rate of return on a market value basis for the plan year ending June 30, 2012 was approximately 0.0%. Compared to the assumed rate of 7.75%, there was an investment loss of approximately \$22.5 million. However, the valuation uses an asset smoothing technique intended to reduce the volatility of the Plan's recommended contribution. For the actuarial value of assets, gains and losses are spread over 5 years, with the resulting value not less than 80% or greater than 120% of the market value. The investment return on an actuarial value basis for the plan year ending June 30, 2012 was 2.0%. Compared to the assumed rate of 7.75%, the Plan experienced an actuarial loss of approximately \$17.1 million and increased the valuation contribution by about \$1.6 million.

Expense Experience

There was an experience loss of \$93,000 due to higher than expected administrative expenses paid during the 2011-2012 plan year. This loss increased the valuation contribution by about \$9,000.

Demographic Experience

The Plan experienced a net loss on the unfunded actuarial accrued liability of approximately \$7.7 million from demographic experience different than assumed. There was a loss on the normal cost of about \$1.0 million, of which approximately \$800,000 was due to new entrants, including new entrants that replaced active participants who terminated or retired during the year. Combined, these demographic losses increased the valuation contribution by about \$1.8 million.

Demographic gains and losses occur when the Plan's actual demographic experience differs from our valuation assumptions. The primary source of demographic losses for the 2011-2012 plan year was cost-of-living adjustments (COLAs) in excess of our 3% assumption. We understand that TriMet was required to retroactively adjust benefits for current retirees and beneficiaries for the last two years following a contract dispute resolution. The COLA increases for February 1, 2011 and February 1, 2012 were 3.51% and 4.57% respectively, resulting in a loss of about \$5.8 million.

The remaining \$1.9 million was due to other net demographic losses. The following table compares expected demographic experience for participants as of July 1, 2011 with the Plan's actual demographic experience for those participants in the plan year ending June 30, 2012:

<u>Assumption</u>	<u>Expected</u>	<u>Actual</u>
Actives		
Normal or Early Retirements	109	80
Disability Retirements	10	19
Pre-retirement Deaths	7	4
Other Terminations	28	22
Terminated Vested Deaths	1	0
Retirees and Beneficiary Deaths	34	33

New entrants contributed about \$510,000 to the loss. The remaining \$1.4 million in net losses included more disabilities than expected, and fewer terminations and retirements than expected.



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The workforce continues to age and work past the age at which they are first eligible for unreduced retirement benefits (58). The average age of the active group has increased from 49.6 to 50.5 over the past 5 years. About 59% of the active population is age 50 and older.

We will continue to monitor the experience of the Plan, and may propose revising the assumptions in the future.

Interest on Medicare Reimbursement Payments

Medicare eligible retirees and beneficiaries have an amount added to their monthly pension check each month to reimburse the payee for their Medicare monthly premium. The District reimburses the Trust for these payments after the end of the plan year. There was a loss of \$39,769 in interest due to the timing of the Medicare reimbursement payments made during the 2011-2012 plan year. This loss increased the valuation contribution by about \$4,000.

Actuarial Assumption/Method Changes

This report reflects the following changes to the actuarial assumptions or methods:

- Anticipated administrative expenses were increased from \$200,000 to \$250,000 based on recent plan experience and future expectations. This change increased the valuation contribution by approximately \$48,000.
- Management transfers were previously assumed to return to the Union Plan to receive the unused sick leave benefit at retirement. This was changed to assume that these participants will not return to the Union Plan and will therefore not receive the unused sick leave benefit. This change lowered the unfunded actuarial accrued liability by about \$1.0 million, lowered the normal cost by about \$17,000 and decreased the valuation contribution by approximately \$114,000.
- Other assumption changes were made in conjunction with benefit changes in the Working and Wage Agreement. The effects of these changes on the unfunded liability, normal cost and valuation contribution are incorporated in the plan changes section below. Please refer to Appendix B for a complete summary of the actuarial assumptions and changes thereto.

Plan Changes

An arbitration decision was issued on July 12, 2012 by the Oregon Employment Relations Board related to the December 1, 2009 through November 30, 2012 Working and Wage Agreement between the ATU 757 and TriMet. The following Plan provisions changed as the result of the arbitrator's decision.

- ATU 757 bargaining unit employees of TriMet hired on or after August 1, 2012 are not eligible to participate in this Plan. This change has no immediate effect on the unfunded liability, normal cost and valuation contribution as of July 1, 2012, but it will gradually reduce the normal cost and valuation contribution in future years if all assumptions are met.
- Effective December 1, 2009, the timing of the annual adjustment to the benefit multiplier was changed from September 1 to February 1 each year. In addition, the timing of the annual COLA adjustments to retirees changed from February 1 to May 1. Annual increases will not be less than 0% and not more than 7%. Combined, these changes increased the unfunded actuarial accrued liability by about \$800,000,

increased the normal cost by about \$126,000 and increased the valuation contribution by approximately \$200,000.

- The benefits for participants who retire on or after August 1, 2012 will be adjusted each May 1 by 90% of the percentage increase in the National CPI-W for the previous year. Annual increases will not be less than 0% and not more than 7%. This change lowered the unfunded actuarial accrued liability by about \$8.4 million, lowered the normal cost by about \$290,000 and decreased the valuation contribution by approximately \$1.1 million.
- Effective July 13, 2012, active participants who accumulate 30 or more years of Continuous Service may no longer retire early with unreduced benefits. This change lowered the unfunded actuarial accrued liability by about \$2.4 million, lowered the normal cost by about \$58,000 and decreased the valuation contribution by approximately \$280,000.

GASB Information

The Government Accounting Standards Board requires certain disclosures of both the Plan and the Employer. The effects of GASB Statements No. 67 and No. 68 are not reflected below.

GASB DISCLOSURE SUMMARY		
Fiscal Year Ending	June 30, 2013	June 30, 2012
Annual Required Contribution (ARC)	\$ 34,637,624	\$ 32,223,691
Annual Pension Contribution (APC)	34,634,695	32,415,413
Employer Contribution*	34,826,417**	18,823,691
Net Pension Obligation (NPO)		
Fiscal Year Ending	June 30, 2012	June 30, 2011
NPO	\$ 191,722	\$ (13,400,000)

* Excluding contributions for Medicare reimbursement payments.

** Assumed to be made on August 15, 2012.

The APC is equal to sum of the ARC, one year's interest on the NPO, and an adjustment to the ARC. The NPO is the cumulative difference between the APC and annual employer contributions since the inception of GASB 27.

The NPO was zero prior to June 30, 2012. The negative NPO as of June 30, 2011 is due to the accelerated contribution of \$13,400,000 made in June 2011. If anticipated contributions of \$34,826,417 are made on August 15, 2012, the NPO as of June 30, 2013 will be \$0.

Sensitivity of Results

The results presented in this report are dependent upon the actuarial assumptions being realized in the future. To the extent that actual Plan experience differs from the assumptions, future actuarial costs will differ from those presented in this report. For example, actuarial gains and losses emerge in plan years where actual contribution amounts differ from those anticipated by our assumptions.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

SECTION 3

DISCUSSION OF THE VALUATION

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to when those benefits are earned, rather than to when they are paid. There are a number of methods in use for making such a determination.

The method used for this valuation is technically referred to as the Individual Entry Age Normal Actuarial Cost Method with Normal Cost expressed as a level dollar amount.

Under this method, the total Actuarial Present Value of Projected Benefits is allocated over the service for each active member from their date of entry into the Plan until their assumed date of exit from the Plan, as a level dollar amount. This level amount is referred to as the Normal Cost, and is calculated for each active member. It is calculated by dividing the total Actuarial Present Value of Projected Benefits at entry age by the Actuarial Present Value of Projected Service at entry age. An annual Normal Cost is calculated for service accruals expected to be earned by current disabled participants between the date of disability and age 62. The Normal Cost equals \$0 for non-active members. The sum of the individual Normal Costs is the Normal Cost for the Plan.

The Unfunded Actuarial Accrued Liability is determined as the total Actuarial Present Value of Projected Benefits less the sum of the Actuarial Value of Assets and the Actuarial Present Value of Future Normal Costs. An Unfunded Actuarial Accrued Liability less than zero indicates a Surplus.

Changes in the Unfunded Actuarial Accrued Liability due to plan changes, changes in actuarial assumptions and actuarial gains and losses are explicitly recognized and amortized over the number of years selected by the Board of Trustees within the terms of the Working and Wage Agreement.

MARKET VALUE OF ASSETS

Table 1 details the change in the Plan's Market Value of Assets since the last valuation. Included in the Market Value of Assets is a receivable equal to the Medicare reimbursement payments that were made to retired participants and beneficiaries during the plan year.

ACTUARIAL VALUE OF ASSETS

Table 2 shows the derivation of the Actuarial Value of Assets. The Plan's investment return on market value for the period July 1, 2011 through June 30, 2012 was approximately 0.0%, compared to the expected return of 7.75% per annum. This resulted in an asset loss of about \$22.5 million over the period on a market value basis.

For purposes of determining the recommended contribution, the valuation uses a smoothing technique that recognizes differences in the actual investment return and the assumed investment return at 7.75% over a five-year period. As of July 1, 2012, the Actuarial Value of Assets exceeded the Market Value of Assets by about \$9.8 million. This indicates that \$9.8 million in net market value investment losses have yet to be recognized in the Actuarial

Value of Assets. The Plan's investment return on the Actuarial Value of Assets for the period July 1, 2011 through June 30, 2012 was approximately 2.0%.

ACTUARIAL BALANCE SHEET

Table 3 shows the development of the Plan's Unfunded Actuarial Accrued Liability as of July 1, 2012.

Table 4 contains information on the magnitude of the Plan's requirements and the resources available to cover those requirements. The Plan's requirements are referred to as the Actuarial Present Value of Benefits and can be thought of as the single sum required on July 1, 2012 which, together with future investment returns, would accumulate to provide all benefits due to current members under the Plan in the future (based on the assumptions outlined in Appendix B). The Resources equal the Requirements and consist of:

- (1) the Plan's current Actuarial Value of Assets, plus
- (2) the Actuarial Present Value of Future Normal Costs to be contributed by the District in the future, plus
- (3) the actuarial present value of future payments to amortize the Plan's Unfunded Actuarial Accrued Liability.

NORMAL COST

Table 5 shows the Normal Cost for this actuarial valuation, determined under the Individual Entry Age Normal Actuarial Cost Method.

The Normal Cost calculated in this report is expected to decline in future years as current active participants terminate or retire. The contract between the ATU 757 and TriMet provides that all ATU 757 bargaining unit employees of TriMet hired on or after August 1, 2012 will only participate in TriMet's Defined Contribution Plan.

RECOMMENDED CONTRIBUTION SCHEDULE

Table 6 develops the recommended contribution schedule for the Plan. The recommended annual contribution consists of two pieces:

- (1) Normal Cost
- (2) Amortization of the Unfunded Actuarial Accrued Liability (UAAL)

At each valuation date, the Plan's UAAL is reamortized over 20 years.

ACCOUNTING STANDARDS

Appendix C contains figures which your auditors may require for the preparation of the Plan's financial statements under the following standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 25 - Financial Reporting by Plans. Generally, Statement No. 25 requires a summary of the funded status of the Plan, and a statement on the relationship of the actual annual contributions to an annual required contribution (ARC).



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GASB Statement No. 27 – Employer’s Accounting for Pension. Disclosures are required in the employer’s financial statements including the annual pension cost (APC). Generally, the APC will equal to the employer’s ARC, as actuarially determined by the funding methods and assumptions. If the actual contribution is either more or less than the ARC, than a Net Pension Obligation must be determined, and this amount may be required to be disclosed in the District’s financial statements.

GASB Statement No. 50. The Government Accounting Standards Board issued GASB Statement No. 50 in May 2007, which amended GASB 25 and GASB 27. This new statement requires defined benefit plans and employers to present additional disclosure information. To the best of our knowledge, the information in this report contains sufficient information to comply with the requirements of GASB 50.

GASB Statement No. 67 – Financial Reporting for Pension Plans. The Government Accounting Standards Board issued GASB Statement No. 67 in June 2012, which amended GASB 25. This statement is effective for fiscal years beginning after June 15, 2013. The effects of these accounting changes have not been included in this valuation report.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. The Government Accounting Standards Board issued GASB Statement No. 68 in June 2012, which amended GASB 27. This statement is effective for fiscal years beginning after June 15, 2014. The effects of these accounting changes have not been included in this valuation report.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions were chosen on the basis of recent experience of the Plan and are summarized in Appendix B. The recommended contribution is based on assumptions that are reasonable estimates of future Plan experience. However, the recommended contribution is subject to change as past investment gains and losses are reflected in the actuarial value of assets, plan experience is different from that assumed or if the Plan is amended.

We will monitor the actual experience of the Plan and will recommend changes to the assumptions as needed in the future.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**MARKET VALUE OF ASSETS¹
(June 30, 2012)**

**Summary of Statement of Changes in Net Assets
Available for Benefits**

(1)	Market Value of Assets July 1, 2011		\$ 285,393,073
(2)	Employer Contributions		
	Pension Plan Funding	\$ 18,823,691	
	Medicare Reimbursement	<u>1,705,085</u>	20,528,776
(3)	Benefit Payments		
	Pension Payments	\$ (23,863,800)	
	Medicare Reimbursement	<u>(1,026,295)</u>	(24,890,095)
(4)	Administrative Expenses ²		(289,032)
(5)	Medicare Reimbursement Payable ³		(906,126)
(6)	Medicare Reimbursement Receivable ⁴		1,026,295
(7)	Investment Income Net of Investment Expenses		<u>(6,481)</u>
(8)	Market Value of Assets June 30, 2012 (1)+(2)+(3)+(4)+(5)+(6)+(7)		\$ 280,856,410

¹ Based on the financial information supplied by TriMet.

² Includes actuarial, legal, investment monitor fees. Excludes all investment management and custodial fees.

³ A contribution equal to the Medicare reimbursement payments for the prior year was included in the July 1, 2011 Market Value of Assets.

⁴ A contribution equal to the Medicare reimbursement payments is assumed to be made to the Trust in August 2012.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**ACTUARIAL VALUE OF ASSETS
(July 1, 2012)**

Asset Reconciliation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Plan Year End June 30	Market Value of Assets July 1	Employer Contributions ⁽¹⁾	Benefit Payments	Administration Expenses	Cash Flow (2)+(3)+(4)	Actual Investment Income	Market Value of Assets End of Year (1)+(5)+(6)
2012	\$285,393,073	\$20,648,945	\$ (24,890,095)	\$ (289,032)	\$ (4,530,182)	\$ (6,481)	\$ 280,856,410
2011	212,842,828	48,333,670	(22,869,255)	(271,534)	25,192,881	47,357,364	285,393,073
2010	180,928,078	28,777,331	(22,703,842)	(113,947)	5,959,542	25,955,208	212,842,828
2009	221,573,962	26,789,197	(19,022,090)	(121,721)	7,645,386	(48,291,270)	180,928,078
2008	225,156,215	26,715,454	(15,503,114)	(129,116)	11,083,224	(14,665,477)	221,573,962

Actuarial Value of Assets

Plan Year End June 30	Actual Investment Rate of Return ⁽²⁾	Actual Investment Return	Expected Investment Return ⁽³⁾	Difference between Actual and Expected
2012	0.0%	\$ (6,481)	\$ 22,493,032	\$ (22,499,513)
2011	20.6%	47,357,364	18,360,671	28,996,693
2010	13.5%	25,955,208	15,422,206	10,533,002
2009	(20.7)%	(48,291,270)	18,692,288	(66,983,558)
2008	(6.1)%	(14,665,477)	19,114,563	(33,780,040)

(1) Market Value of Assets on July 1, 2012 \$ 280,856,410

(2) Unrecognized Gain/(Loss)

80% of \$22,499,513 loss	\$ (17,999,610)
60% of \$28,996,693 gain	17,398,016
40% of \$10,533,002 gain	4,213,201
20% of \$66,983,558 loss	<u>(13,396,712)</u>
Total Unrecognized Gain/(Loss)	<u>(9,785,105)</u>

(3) Preliminary Actuarial Value of Assets (1) – (2) \$ 290,641,515

(4) 80% of Market Value of Assets on July 1, 2012 \$ 224,685,128

(5) 120% of Market Value of Assets on July 1, 2012 \$ 337,027,692

(6) Actuarial Value of Assets on July 1, 2012
Lesser of (3) and (5), not less than (4) \$ 290,641,515

(7) Actuarial Value as a Percentage of Market Value (6)/(1) 103%

(1) Net of payable and receivable contributions equal to Medicare reimbursement payments.

(2) Based on market values.

(3) 8% investment assumption through June 30, 2011; 7.75% thereafter. Using simple interest from the date the contribution is made and assuming benefit payments (including Medicare reimbursement payments) and expenses occur at mid-year.



This report was prepared solely for the Board of Trustees of the Pension Plan for Bargaining Unit Employees of TriMet for the purposes described herein 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(July 1, 2012)**

(1)	Unfunded Actuarial Accrued Liability as of 7/1/2011	\$ 243,811,342	
(2)	Normal Cost Including Expenses for 2011-2012	10,079,510	
(3)	Interest at 7.75% to 6/30/2012 on (1) and (2)	19,676,541	
(4)	Employer Pension Contributions Received for the Plan Year Ending 6/30/2012*	19,622,650	
(5)	Interest on (4) at 7.75% from Date Paid to 6/30/2012	<u>1,358,264</u>	
(6)	Expected Unfunded Actuarial Accrued Liability 6/30/2012 (1)+(2)+(3)-(4)-(5)		\$ 252,586,479
(7)	<i>Changes Due to Experience Gains and Losses</i>		
	Asset Loss	\$ 17,059,186	
	Demographic Loss	7,714,490	
	Expense Loss	92,771	
	Interest on Medicare Reimbursement Payments	<u>39,769</u>	
	Total Gains and Losses		\$ 24,906,216
(8)	<i>Changes in Methods and Assumptions</i>		
	Expense Assumption	\$ 0	
	Management Transfers – No Unused Sick Leave Benefit	<u>(1,045,254)</u>	
	Total Change in Methods and Assumptions		\$ (1,045,254)
(9)	<i>Plan Changes</i>		
	Plan Closed to New Entrants	\$ 0	
	New Benefit Multiplier & COLA Timing	797,695	
	90% of COLA for Future Retirees	(8,364,816)	
	Remove 30 & Out Provision	<u>(2,391,294)</u>	
	Total Change in Methods and Assumptions		\$ (9,958,415)
(10)	Unfunded Actuarial Accrued Liability 7/1/2012		\$ 266,489,026

* Net of payable contribution for Medicare reimbursement payments for the 2010-2011 plan year. Includes contribution for Medicare reimbursement payments for the 2009-2010 plan year.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**ACTUARIAL BALANCE SHEET
(July 1, 2012)**

REQUIREMENTS

Actuarial Present Value of Benefits

Active Participants (2,019)	
Retirement Benefits	\$ 296,177,191
Death Benefits	3,109,314
Disability Benefits	15,263,738
Termination Benefits (Vesting)	<u>9,462,655</u>
Subtotal	\$ 324,012,898
Retirees and Beneficiaries (1,193)*	246,523,399
Disabled Participants (154)	38,979,087
Vested Terminated Participants (150)	9,404,376
Management Transfers (60)	<u>4,808,451</u>
Total Requirements	<u>\$ 623,728,211</u>

*Includes retroactive payments for past cost-of-living adjustments (COLA).

RESOURCES

Actuarial Value of Assets	\$ 290,641,515
Actuarial Present Value of Future Normal Costs	66,597,670
Unfunded Actuarial Accrued Liability	<u>266,489,026</u>
Total Resources	<u>\$ 623,728,211</u>

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**NORMAL COST
(July 1, 2012)**

(1) Retirement Benefits	\$ 8,795,479	
Death Benefits	121,797	
Disability Benefits	637,258	
Termination Benefits	<u>479,197</u>	
Subtotal		\$ 10,033,731
(2) Anticipated Non-Investment Expenses (\$250,000 payable mid-year)		<u>240,674</u>
(3) Total Annual Normal Cost, Payable at Beginning of the year (1) + (2)		<u><u>\$ 10,274,405</u></u>

Normal Cost Reconciliation

July 1, 2011 Normal Cost		\$ 10,079,510
Expected July 1, 2012 Normal Cost		\$ 9,426,051
Demographic Loss		\$ 1,038,503
<i>Changes in Methods and Assumptions</i>		
Expense Assumption	\$ 48,135	
Management Transfers – no Unused Sick Leave Benefit	<u>(16,954)</u>	
Total Change in Method and Assumptions		31,181
<i>Plan Changes</i>		
Plan Closed to New Entrants	\$ 0	
New Benefit Multiplier & COLA Timing	125,780	
90% of COLA for Future Retirees	(289,406)	
Remove 30 & Out Provision	<u>(57,704)</u>	
Total Change in Plan Changes		(221,330)
July 1, 2012 Normal Cost		<u><u>\$ 10,274,405</u></u>

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**DETERMINATION OF RECOMMENDED CONTRIBUTION SCHEDULE
(July 1, 2012)**

Valuation Contribution, Payable July 1, 2012

(1)	Total Annual Normal Cost	\$ 10,274,405
(2)	20-Year Amortization of UAAL	<u>24,723,437</u>
(3)	Total Contribution for Year (1) + (2)	<u>\$ 34,997,842</u>

Contribution Schedule

Period	Contribution
July 1, 2012 – June 30, 2013	Anticipated* \$ 34,826,417
July 1, 2013 – June 30, 2014	Recommended** \$ 35,553,324

* The anticipated contribution is assumed to be paid on August 15, 2012 and is equal to the recommended contribution based on the revised July 1, 2011 actuarial valuation issued on October 28, 2011 plus an amount to pay off the NPO.

** The recommended contribution is assumed to be payable within a week of September 9 each year.

Present Value as of 7/1/12 of \$34,997,842 contributed over 20 years	\$ 377,234,794
Present Value as of 7/1/12 of \$34,826,417 contributed on 8/15/2012	<u>34,507,393</u>
Present Value as of 7/1/12 of future contributions beginning 9/9/2013	\$ 342,727,401
Remaining Amortization Period	19 years
Recommended Contribution to be made 9/9/2013	\$ 35,553,324

The recommended contribution is actuarially equivalent to contributing the valuation contribution for each of the next 20 years beginning on the valuation date. It is based on assumptions that are reasonable estimates of future Plan experience. However, the recommended contribution is subject to change if plan experience is different from that assumed or if the Plan is amended. It is also subject to change as past investment gains and losses are reflected in the actuarial value of assets. Under the current funding policy, the recommended contribution is expected to be about the same next year if the market value of assets earns 7.75% for the plan year ending June 30, 2013 and all other actuarial assumptions are met. A portion of the \$9.8 million in net investment losses that will be reflected in the actuarial value of assets will be offset by the reduction in the normal cost because the Plan is closed to new entrants.



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**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

PLAN PROVISIONS

Plan provisions below are based on the plan document restated effective January 1, 2008, Amendment 2009-1 and TriMet staff interpretations and implementations of the pension related provisions included in the arbitration decision issued on July 12, 2012 by the Oregon Employment Relations Board related to the Working and Wage Agreement between TriMet and ATU 757 in effect from December 1, 2009 through November 30, 2012.

1. NAME

Pension Plan for Bargaining Unit Employees of TriMet.

2. EFFECTIVE DATE

September 19, 1984 as last restated effective January 1, 2008. Plan Amendment 2009-1 was signed February 23, 2009.

3. ELIGIBILITY

All ATU 757 bargaining unit employees of TriMet (TriMet Union employees). TriMet Union employees who transfer to a management position continue to earn service for vesting purposes and retirement eligibility. However, no additional benefits are earned for continuous service as a management employee.

TriMet Union employees hired on or after August 1, 2012 are not eligible to participate in this Plan.

TriMet Union employees who transfer to a non-union position retain seniority in the last bargaining unit position or classification worked for five years from the date of transfer.

4. CONTINUOUS SERVICE

All periods of service during which the employee is a member of the bargaining unit represented by ATU 757, working either as a full-time employee or mini-run operator, is entitled to payment for services rendered to TriMet and is eligible to participate in this Plan. Continuous service includes service while serving as an officer of the ATU 757.

5. VESTING SERVICE

All continuous service plus any period of service (not already counted as continuous service) when an employee is entitled to payment for services rendered to TriMet, excluding service preceding a permanent break in service.

6. NORMAL RETIREMENT

(a) Eligibility

For participants who earn at least 10 years of vesting service, the Normal Retirement Age is determined from the following schedule:

<u>Retirements Effective</u>	<u>Normal Retirement Age</u>
December 1, 1994 to November 30, 1998	62
December 1, 1998 to November 30, 2000	61
December 1, 2000 to November 30, 2002	60
December 1, 2002 to November 30, 2004	59
On or after December 1, 2004	58

(b) Benefit

The normal retirement benefit for participants retiring or terminating after February 1, 1992 is determined by multiplying continuous service times the benefit rate in effect on the date of retirement or termination of employment, whichever is earlier. Mini-run operators receive 75% of the benefit rate shown below.

<u>Effective Beginning</u>	<u>Benefit Rate</u>	<u>Effective Beginning</u>	<u>Benefit Rate</u>
February 1, 1992	\$ 42.00	September 1, 2002	58.87
September 1, 1992	43.26	September 1, 2003	60.64
September 1, 1993	44.13	September 1, 2004	62.45
September 1, 1994	44.57	September 1, 2005	64.33
September 1, 1995	47.02	September 1, 2006	66.26
September 1, 1996	48.43	September 1, 2007	68.25
September 1, 1997	50.27	September 1, 2008	70.84
September 1, 1998	51.93	September 1, 2009	72.96
September 1, 1999	53.49	February 1, 2010	72.96
September 1, 2000	55.49	February 1, 2011	75.52
September 1, 2001	57.15	February 1, 2012	78.97

The benefit rates are adjusted on February 1 each year based on the aggregate total of the wage increases granted during the previous year applicable to Union wage rates. The annual increase will not be less than 0% and not more than 7%.

A benefit derived from unused sick leave is added to the above benefit as described in (c) below.

(c) Unused Sick Leave

Vested participants who terminate after becoming eligible for early retirement will have unused accumulated sick leave up to the maximum accumulated sick leave converted to a monthly benefit at a rate of \$.25 per hour for each hour of unused accrued sick leave.

<u>Effective</u>	<u>Maximum Accumulated Sick Leave</u>
December 1, 1999	1,400 hours
December 1, 2003	1,450 hours
December 1, 2004	1,500 hours
December 1, 2005	1,550 hours
December 1, 2006	1,600 hours
December 1, 2007	1,650 hours
December 1, 2008	1,700 hours

7. EARLY RETIREMENT

(a) Eligibility

A participant may retire prior to his normal retirement date if he has 10 years of vesting service and is at least 55 years of age.

30 & Out: From December 1, 2003 through July 12, 2012, an active participant may retire with unreduced benefits after he has earned 30 years of Continuous Service, regardless of age. The 30 & Out was eliminated effective July 13, 2012.

(b) Benefit

The monthly basic benefit is calculated as described in item 6 above. The benefit will be reduced according to the following table:

<u>Age at Retirement</u>	<u>Percent Reduction from Normal Retirement Age</u>				
	<u>62</u>	<u>61</u>	<u>60</u>	<u>59</u>	<u>58</u>
<u>Effective</u>	12/01/1994 through 11/30/1998	12/01/1998 through 11/30/2000	12/01/2000 through 11/30/2002	12/01/2002 through 11/30/2004	12/01/2004 to Current
62	0.00%	0.00%	0.00%	0.00%	0.00%
61	10.12	0.00	0.00	0.00	0.00
60	19.06	9.95	0.00	0.00	0.00
59	26.98	18.76	9.78	0.00	0.00
58	34.01	26.59	18.48	9.63	0.00
57	40.28	33.56	26.22	18.21	9.49
56	45.87	39.78	33.13	25.87	17.97
55	50.87	45.34	39.31	32.72	25.55

8. FORMS OF PAYMENT

- (a) Single Life Annuity
- (b) 66 2/3% Joint and Survivor Annuity

9. DISABILITY BENEFIT

(a) Eligibility

An active participant who becomes disabled after 10 years of continuous service may receive a disability benefit if he becomes permanently disabled from performing the participant's occupation while employed with TriMet prior to reaching Social Security retirement age (62). Disability benefits are paid from the Plan until the participant reaches age 62.

(b) Benefit

A benefit payable during the period of disability is determined from the table below. If the participant is entitled to disability insurance benefits under Title II of the Federal Social Security Act, the benefits shown below are doubled.

Effective	10 Years of Continuous Service	15 Years of Continuous Service	20 Years of Continuous Service
February 1, 1992	\$388.60	\$468.38	\$544.07
February 1, 1993	400.25	482.43	560.38
February 1, 1994	406.26	492.08	571.60
February 1, 1995	434.80	524.06	608.75
February 1, 1996	441.76	532.45	618.49
February 1, 1997	457.22	551.08	640.14
February 1, 1998	472.31	569.27	661.26
February 1, 1999	481.76	580.66	674.49
February 1, 2000	502.72	605.92	703.83
February 1, 2001	519.71	626.40	727.62
February 1, 2002	533.90	643.50	747.48
February 1, 2003	545.01	656.88	763.03
February 1, 2004	569.92	686.90	797.90
February 1, 2005	586.50	706.89	821.12
February 1, 2006	602.28	725.91	843.21
February 1, 2007	620.47	747.83	868.67
February 1, 2008	643.37	775.42	900.72
February 1, 2009	669.62	807.06	937.47
February 1, 2010	674.51	812.95	944.31
February 1, 2011	698.19	841.49	977.46
February 1, 2012	730.10	879.95	1,022.13

Disability benefits increase at the same time and percentage as post-retirement benefit increases for participants who retired before August 1, 2012. See item 13.

The disabled participant's retirement benefit at age 62 is calculated using service that includes continuous service during disability as if the participant remained in active employment from the date of disability to age 62, and the benefit rate in effect at age 62.

10. VESTING

A participant who terminates employment with at least ten years of vesting service as of the date of termination will be 100% vested.

11. CONTRIBUTIONS

Contributions are made to the Trust Fund by TriMet. TriMet intends to contribute the amounts calculated by the actuary to adequately fund the benefits provided in the Plan.

12. PRE-RETIREMENT DEATH BENEFIT

(a) Married Employee or Domestic Partner

If a vested participant, the participant's spouse or domestic partner will receive 50% of the normal retirement benefit. The benefit is paid to the spouse when the spouse attains age 62. The payment to the domestic partner must commence no later than the December 31 of the year following the participant's death. The benefit is actuarially adjusted for the earlier commencement.

(b) Disability

If a participant receiving disability benefits dies on or after age 55 but prior to age 62, the surviving spouse or domestic partner may elect to receive either the benefits in (a) above or the survivor portion of the 66 2/3% joint and survivor annuity.

13. POST-RETIREMENT BENEFIT INCREASES

Post-retirement benefit increases prior to August 1, 2012 were applied each February 1. The adjustment was based on the aggregate total of the wage increases granted during the previous year applicable to Union wage rates.

Effective August 1, 2012, post-retirement benefit increases are applied each May 1 during the period of the agreement as follows:

- For participants who retired before August 1, 2012, the post-retirement benefit increase is 100% of the percentage increase in the U.S. Urban Wage Earners and Clerical Workers Consumer Price Index (CPI-W) (annual average) for the previous year. Annual increases will not be less than 0% and not more than 7% per year.
- For participants who retire on or after August 1, 2012, the post-retirement benefit increase is 90% of the percentage increase in the U.S. Urban Wage Earners and Clerical Workers Consumer Price Index (CPI-W) (annual average) for the previous year. Annual increases will not be less than 0% and not more than 7% per year.

14. PLAN AMENDMENTS SINCE THE PRIOR VALUATION

An arbitration decision was issued on July 12, 2012 by the Oregon Employment Relations Board related to the December 1, 2009 through November 30, 2012 Working and Wage Agreement between the ATU 757 and TriMet. The following Plan provisions changed as the result of the arbitrator's decision.

- TriMet Union employees hired on or after August 1, 2012 are not eligible to participate in this Plan.
- TriMet Union employees who transfer to a non-union position retain seniority in the last bargaining unit position or classification worked for five years from the date of transfer.
- Effective July 13, 2012, active participants who accumulate 30 or more years of Continuous Service may no longer retire early with unreduced benefits.
- Effective December 1, 2009, the timing of the annual adjustment to the benefit multiplier was changed from September 1 to February 1 each year. Annual increases will not be less than 0% and not more than 7%.
- Benefits for participants who retired before August 1, 2012 are adjusted each May 1 by the percentage increase in the National CPI-W for the previous year. Annual increases will not be less than 0% and not more than 7%.
- Benefits for participants who retire on or after August 1, 2012 are adjusted each May 1 by 90% of the percentage increase in the National CPI-W for the previous year. Annual increases will not be less than 0% and not more than 7%.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

ACTUARIAL ASSUMPTIONS AND COST METHOD

This section of the report describes the actuarial procedures and assumptions used in this valuation. These procedures and assumptions have been chosen on the basis of recent experience of the Plan and on current expectations as to future economic conditions.

The assumptions are intended to estimate the future experience of the participants of the Plan and of the Plan itself in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the Plan's benefits.

1. RECORDS AND DATA

The data used in the valuation consist of employee data and financial information furnished by TriMet. All data for valuation purposes was accepted without audit.

2. ADJUSTMENT FOR INCOMPLETE DATA

If necessary, active participants are assumed to have a hire age equal to the average hire age of the active participants with complete data.

3. ACTUARIAL COST METHOD (effective July 1, 2004)

The accruing costs of all benefits are measured by the Individual Entry Age Normal Actuarial Cost Method. The Normal Cost expressed as a level dollar amount.

Under this method, the total Actuarial Present Value of Projected Benefits is allocated over the service for each active member from their date of entry into the Plan until their assumed date of exit from the Plan, as a level dollar amount. This level amount is referred to as the Normal Cost, and is calculated for each active member. It is calculated by dividing the total Actuarial Present Value of Projected Benefits at entry age by the Actuarial Present Value of Projected Service at entry age. The Normal Cost equals \$0 for non-active members. The sum of the individual Normal Costs is the Normal Cost for the Plan.

Effective July 1, 2008, an annual normal cost is calculated for currently disabled participants who continue to earn service between the date of disability and age 62.

4. ACTUARIAL VALUE OF ASSETS (effective July 1, 2004)

The actuarial value of assets on the valuation date is equal to (1) – (2) – (3) – (4) – (5), with the resulting value not less than 80% nor greater than 120% of the market value of assets on the valuation date.

- (1) Market Value of Assets*.
- (2) 80% of the difference between actual investment return and expected investment return for the plan year prior to the valuation date.
- (3) 60% of the difference between actual investment return and expected investment return for the plan year prior to the plan year in (2) above.
- (4) 40% of the difference between actual investment return and expected investment return for the plan year prior to the plan year in (3) above.
- (5) 20% of the difference between actual investment return and expected investment return for the plan year prior to the plan year in (4) above.

- * The Market Value of Assets includes a receivable equal to the Medicare reimbursement payments to retired participants and beneficiaries made during the plan year.

Actual and expected investment returns are calculated net of investment management and custodial fees using simple interest from the date the contribution is made, and assuming benefit payments and expenses occur midyear.

The asset valuation method is described in IRS Revenue Procedure 2000-40.

5. INVESTMENT EARNINGS (effective July 1, 2011)

7.75% per annum compounded annually, net of investment management and custodial fees.

6. ADMINISTRATIVE EXPENSES (effective July 1, 2012)

Annual administrative expenses of \$250,000 payable midyear are assumed.

7. PRE- AND POST-RETIREMENT BENEFIT INCREASES (effective July 1, 2012)

The benefit multiplier and disability benefits for active participants who terminate or retire after July 1, 2012 are assumed to increase 3% per year. For terminations, disabilities and retirements assumed to occur in the 2012-2013 plan year, the benefit rates used in the valuation are as shown below.

	2012 – 2013
Benefit Multiplier	\$81.34
Disability Benefit	
10 Years of Continuous Service	\$752.00
15 Years of Continuous Service	906.35
20 Years of Continuous Service	1,052.79

Benefits for participants who retired prior to August 1, 2012 are assumed to increase 3% per year into the future.

Benefits for participants who retire on or after August 1, 2012 are assumed to increase 2.7% (90% of 3%) per year into the future.

8. AMORTIZATION PERIOD

The valuation rate is equal to the normal cost plus the level dollar amortization of the UAAL over 20 years on the valuation date. This is set equal to the present value of the current year’s anticipated contribution amount provided by TriMet plus the present value of future contributions made annually over the next 19 years.

At each valuation date, the Plan’s UAAL will be reamortized over 20 years.

9. MORTALITY

Healthy Lives Mortality (effective July 1, 2010)

RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment for males and females, projected to 2010 using Scale AA. This assumption includes a margin for future mortality improvement based on recent Plan experience.

Disabled Lives Mortality (effective July 1, 2008)

Males - Annual rates of mortality are based on 70% of the Post-1994 Disability Mortality developed by the IRS (in IRS Revenue Ruling 96-7) for participants who become eligible for Social Security disability benefits, plus 30% of the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment for males.

Females - Annual rates of mortality are based on 70% of the Post-1994 Disability Mortality developed by the IRS (in IRS Revenue Ruling 96-7) for participants who become eligible for Social Security disability benefits, plus 30% of the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment for females.

This assumption includes a margin for future mortality improvement based on recent Plan experience.



10. FUTURE SERVICE CREDITS

Active and disabled participants are assumed to earn one year of vesting service and one year of continuous service credit each year into the future. Management transfers are assumed to earn one year vesting service and no continuous service each year in the future.

11. MINI-RUN TO FULL TIME (effective July 1, 2011)

20% of active mini-run participants as of the valuation date are assumed to transfer to full time during the current year and remain full time in the future.

12. FORM OF BENEFIT (effective July 1, 2006)

All non-retired participants with a spouse or domestic partner are assumed to elect the following form of payment at retirement:

<u>Probability</u>	<u>Form of Payment</u>
50%	Single Life Annuity
50%	66 2/3% Joint & Survivor Annuity

Retired participants are valued according to the benefit form elected at retirement.

13. RETIREMENT FROM ACTIVE STATUS (effective July 1, 2012)

All active participants and management transfers are assumed to retire by age 70. A certain percentage of active participants are assumed to elect retirement beginning at age 55. The rates of retirement are as follows:

<u>Age</u>	<u>Annual Rate</u>
55 - 57	5%
58	15
59 - 60	12
61	15
62	45
63	25
64	30
65	50
66 - 69	25
70	100

Retirement rates prior to age 55 were removed due to the elimination of the 30 & Out early retirement benefit.

14. RETIREMENT FROM INACTIVE STATUS

Terminated vested participants are assumed to retire at their earliest unreduced retirement age. Disabled participants are assumed to retire at age 62.

15. DISABLEMENT

The rates of disablement used in this valuation are illustrated below.

Age	Number of Participants Becoming Disabled During the Year (per 1,000 Actives)
30	1
35	1
40	2
45	3
50	5
55	8
60	12

It is assumed that 70% of disabled participants will become eligible for Social Security disability benefits. (effective July 1, 2008)

Tabular disability benefits are assumed to be paid to age 62. At age 62, the benefit is converted to a retirement benefit based on the participant's projected service and projected benefit level at age 62.

16. OTHER TERMINATIONS OF EMPLOYMENT (effective July 1, 2008)

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are based on a study of withdrawal experience for this Plan from July 1, 2004 through June 30, 2008. Sample withdrawal rates are shown below:

Years of Vesting Service	Number of Participants Withdrawing During the Year (per 1,000 Actives)	
	Males	Females
Less than 1	50.0	100.0
1	25.0	50.0
2	22.5	45.0
3-6	20.0	40.0
7 and more	10.0	25.0

17. UNUSED SICK LEAVE BENEFITS

Active participants are assumed to accumulate a percentage of the maximum accumulated sick leave hours in effect at retirement, based on the following schedule:

<u>Years of Vesting Service</u>	<u>Sick Hours Percentage</u>
Less than 10	0%
10	20%
11	25%
12 – 15	30%
16 – 18	35%
19 – 20	40%
21 – 23	45%
24 and more	50%

Active Management Transfers are not assumed to return to the Union Plan following their transfer date and are not assumed to receive the unused sick leave benefit. (effective July 1, 2012)

The schedule of maximum accumulated sick leave hours is shown in Appendix A.

18. SPOUSE'S AGE

Females are assumed to be four years younger than their spouses.

19. PROBABILITY OF MARRIAGE/DOMESTIC PARTNER

75% of participants are assumed to be married or have a domestic partner.

20. ANNUALIZATION OF BENEFITS (effective July 1, 2012)

Benefits for participants who retired prior to August 1, 2012 are annualized using a factor of 12.06 to incorporate the anticipated 3% post-retirement benefit increase occurring May 1.

Benefits for participants who retire on or after August 1, 2012 annualized using a factor of 12.054 to incorporate 90% of the anticipated 3% retiree post-retirement benefit increase occurring May 1.

21. CHANGES IN ACTUARIAL METHODS AND ASSUMPTIONS

Anticipated administrative expenses were increased from \$200,000 to \$250,000 based on recent plan experience and future expectations.

Rates of retirement for ages prior to age 55 were removed because participants may no longer retire unreduced at any age with 30 years of continuous service.

Management transfers are not assumed to return to the Union Plan and are not assumed to receive the unused sick leave benefit at retirement.

The effective date for annual post-retirement benefit increases changed from February 1 to May 1. To account for the new benefit increase date, the factor used to annualize benefits for participants who retired prior to August 1, 2012 was changed from 12.15 to 12.06.

To account for both the new benefit increase date and the new post-retirement benefit increase for retirees on or after August 1, 2012, the factor used to annualize benefits for these retirees was changed from 12.15 to 12.054.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar Amounts in Thousands)

Fiscal Year Ending	Actual Employer Contributions ¹	Annual Required Contribution (ARC) ²	Percentage of ARC Contributed
6/30/07	\$25,511	\$25,511	100%
6/30/08	\$26,177	\$26,177	100%
6/30/09	\$26,154	\$26,154	100%
6/30/10	\$28,051	\$28,051	100%
6/30/11	\$47,428	\$34,028	139%
6/30/12	\$18,824	\$32,224	58%
6/30/13	TBD	\$34,638	TBD
6/30/14	TBD	\$35,553	TBD

¹ Contributions for the Medicare reimbursement payments to retired participants and beneficiaries are not related to the ARC for pension benefits. The reimbursements are excluded from the contribution amounts shown above.

² The ARC shown above is assumed to be payable within a week of September 9th each year and does not include the retiree Medicare reimbursement payments.

The effects of GASB Statements No. 67 and No. 68 are not reflected on this schedule.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

ANNUAL PENSION COST AND NET PENSION OBLIGATION

For Fiscal Year Ending June 30, 2012

Annual Required Contribution	\$ 32,223,691
Interest on Net Pension Obligation	(1,072,000)
Adjustment to Annual Required Contribution	<u>1,263,722</u>
Annual Pension Cost	\$ 32,415,413
Contribution Made	<u>18,823,691</u>
Increase (Decrease) in Net Pension Obligation	\$ 13,519,722
Net Pension Obligation Beginning of Year	<u>(13,400,000)</u>
Net Pension Obligation End of Year	\$ 191,722

The effects of GASB Statements No. 67 and No. 68 are not reflected.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL) ⁽¹⁾	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ 209,392	\$ 399,237	\$ 189,845	52%	\$ 111,877	170%
July 1, 2008	238,883	427,305	188,422	56	116,418	162
July 1, 2009	217,113	460,333	243,220	47	123,784	196
July 1, 2010	255,279	491,495	236,216	52	121,124	195
July 1, 2011	289,425	533,236	243,811	54	119,166	205
July 1, 2012	290,642	557,131	266,489	52	125,142	213

⁽¹⁾ Actuarial Accrued Liabilities less the Actuarial Value of Assets.

The effects of GASB Statements No. 67 and No. 68 are not reflected on this schedule.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

PARTICIPANT INFORMATION

The current actuarial valuation was based upon the participant data provided by TriMet.

The following table shows the number of participants included in the current actuarial valuation and the comparable numbers from the previous valuation.

	<u>July 1, 2012</u>	<u>July 1, 2011</u>	<u>Change</u>
Active			
Vested Participants	1,177	1,215	-3.1%
Non-Vested Participants	842	801	5.1%
Management Transfers*	<u>60</u>	<u>65</u>	<u>-7.7%</u>
TOTAL ACTIVE	2,079	2,081	-0.1%
Inactive			
Retirees & Beneficiaries**	1,347	1,257	7.2%
Vested Terminations***	<u>150</u>	<u>158</u>	<u>-5.1%</u>
TOTAL INACTIVE	1,497	1,415	5.8%
TOTAL PARTICIPANTS	3,576	3,496	2.3%

More detailed information on current plan participants is shown on the following pages.

* These participants no longer accrue continuous service under the Plan but continue to accrue service for vesting purposes.

** Includes participants receiving a disability benefit.

*** Includes deferred beneficiaries.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

PARTICIPANT INFORMATION

The following is a summary of the significant data for the participants included in this valuation, together with comparable figures from the last two years.

	<u>July 1, 2012</u>	<u>July 1, 2011</u>	<u>July 1, 2010</u>
Active Full-Time Participants			
Number	1,726	1,711	1,785
Average Age	51.0	50.8	50.6
Average Years of Continuous Service	14.0	14.1	13.7
Active Mini-Run Participants			
Number	293	305	305
Average Age	47.5	49.6	49.5
Average Years of Continuous Service	6.1	6.8	6.5
Management Transfers			
Number	60	65	64
Average Age	52.9	52.3	51.9
Vested Terminations (including deferred beneficiaries)			
Number	150	158	166
Average Age	53.0	52.7	53.4
Average Monthly Benefit payable at the Participant's applicable Normal Retirement Age	\$ 663	\$ 647	\$ 627
Retirees and Beneficiaries (including disabled)			
Number in pay status	1,347	1,257	1,168
Average Age	67.7	67.7	67.5
Average Monthly Benefit	\$ 1,582	\$ 1,515	\$ 1,485

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

ACTIVE PARTICIPANTS

Summary by Age and Years of Continuous Service as of July 1, 2012

YEARS OF CONTINUOUS SERVICE

<u>AGE</u>	<u>UNDER 1</u>	<u>1 TO 4</u>	<u>5 TO 9</u>	<u>10 TO 14</u>	<u>15 TO 19</u>	<u>20 TO 24</u>
Under 25	3	5	0	0	0	0
25 to 29	16	32	2	0	0	0
30 to 34	18	40	23	6	0	0
35 to 39	21	44	53	31	13	0
40 to 44	22	48	45	60	54	4
45 to 49	17	46	74	85	43	22
50 to 54	21	57	57	85	78	40
55 to 59	6	38	59	106	73	48
60 to 64	2	21	48	71	62	21
65 & Up	0	5	19	25	17	7
Totals	126	336	380	469	340	142

YEARS OF CONTINUOUS SERVICE

<u>AGE</u>	<u>25 TO 29</u>	<u>30 TO 34</u>	<u>35 TO 39</u>	<u>40 AND OVER</u>	<u>ALL YEARS</u>
Under 25	0	0	0	0	8
25 to 29	0	0	0	0	50
30 to 34	0	0	0	0	87
35 to 39	0	0	0	0	162
40 to 44	0	0	0	0	233
45 to 49	6	1	0	0	294
50 to 54	36	7	0	0	381
55 to 59	51	30	11	0	422
60 to 64	24	32	15	0	296
65 & Up	4	6	3	0	86
Totals	121	76	29	0	2,019
Active Participants without Complete Data					0
Grand Total					2,019

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

ACTIVE MANAGEMENT TRANSFERS

Summary by Age and Years of Continuous Service as of July 1, 2012

YEARS OF CONTINUOUS SERVICE

<u>AGE</u>	<u>UNDER 1</u>	<u>1 TO 4</u>	<u>5 TO 9</u>	<u>10 TO 14</u>	<u>15 TO 19</u>	<u>20 TO 24</u>
Under 25	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0
35 to 39	0	0	1	2	1	0
40 to 44	0	0	1	1	1	0
45 to 49	0	0	1	2	5	1
50 to 54	0	0	0	3	6	2
55 to 59	0	0	0	1	2	3
60 to 64	0	1	0	0	2	1
65 & Up	0	0	0	0	0	0
Totals	0	1	3	9	17	7

YEARS OF CONTINUOUS SERVICE

<u>AGE</u>	<u>25 TO 29</u>	<u>30 TO 34</u>	<u>35 TO 39</u>	<u>40 AND OVER</u>	<u>ALL YEARS</u>
Under 25	0	0	0	0	0
25 to 29	0	0	0	0	0
30 to 34	0	0	0	0	0
35 to 39	0	0	0	0	4
40 to 44	0	0	0	0	3
45 to 49	3	0	0	0	12
50 to 54	2	2	0	0	15
55 to 59	2	2	3	0	13
60 to 64	1	3	5	0	13
65 & Up	0	0	0	0	0
Totals	8	7	8	0	60

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**RETIREEES AND BENEFICIARIES
(July 1, 2012)**

Service Retirees

Age	Number	Total Monthly Benefit
Under 55	7	\$ 12,245
55 to 59	57	88,694
60 to 64	247	408,241
65 to 69	328	511,755
70 to 74	220	370,572
75 to 79	101	156,282
80 to 84	47	71,668
85 & Up	<u>25</u>	<u>56,187</u>
Total	1,032	\$ 1,675,644

Disability

Age	Number	Total Monthly Benefit
Under 55	37	\$ 54,288
55 to 59	32	55,647
60 to 64	39	71,488
65 to 69	43	86,293
70 to 74	3	7,392
75 to 79	0	0
80 to 84	0	0
85 & Up	<u>0</u>	<u>0</u>
Total	154	\$ 275,108

Survivors & Beneficiaries

Age	Number	Total Monthly Benefit
Under 55	9	\$ 11,537
55 to 59	12	15,926
60 to 64	17	19,484
65 to 69	31	33,993
70 to 74	39	37,641
75 to 79	18	17,434
80 to 84	15	17,641
85 & Up	<u>20</u>	<u>26,153</u>
Total	161	\$ 179,809

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**NEW RETIREES AND DISABILITIES
(July 1, 2012)**

Service Retirees*		
Age at Retirement	Number	Total Monthly Benefit
Under 55	1	\$ 2,492
55	4	6,155
56	2	2,363
57	3	7,624
58	11	15,351
59	6	8,794
60	9	13,388
61	2	2,955
62	23	32,051
63	6	11,447
64	5	9,281
65	5	7,171
66	5	6,575
67	8	12,916
68	2	2,486
69	0	0
70 & Up	<u>3</u>	<u>3,903</u>
Total	95	\$ 144,952

*Excludes beneficiaries and QDROs

Disability		
Age at Disability	Number	Total Monthly Benefit
Under 50	5	\$ 5,122
50	2	3,505
51	2	2,482
52	2	2,640
53	0	0
54	1	660
55	3	5,549
56	1	1,022
57	0	0
58	0	0
59	2	2,920
60	1	2,044
61	0	0
62	<u>0</u>	<u>0</u>
Total	19	\$ 25,944



This report was prepared solely for the Board of Trustees of the Pension Plan for Bargaining Unit Employees of TriMet for the purposes described herein 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**VESTED TERMINATED PARTICIPANTS*
(July 1, 2012)**

Age	Number	Total Monthly Benefit**
Under 40	5	\$ 3,354
40 to 44	12	8,787
45 to 49	21	16,453
50 to 54	45	29,937
55 to 59	46	32,777
60 & Up	<u>21</u>	<u>8,155</u>
Total	150	\$ 99,463

* Includes deferred beneficiaries.

** Amounts shown are payable at the Participant's applicable Normal Retirement Age.

**PENSION PLAN FOR BARGAINING UNIT
EMPLOYEES OF TRIMET**

**ESTIMATED BENEFIT PAYMENTS*
July 1, 2012**

YEAR ENDING 6/30	PAYMENT	YEAR ENDING 6/30	PAYMENT	YEAR ENDING 6/30	PAYMENT
2013	\$ 27,358,000	2044	\$ 60,973,000	2075	\$ 4,718,000
2014	29,295,000	2045	59,246,000	2076	4,009,000
2015	32,007,000	2046	57,376,000	2077	3,379,000
2016	34,646,000	2047	55,394,000	2078	2,824,000
2017	37,284,000	2048	53,338,000	2079	2,340,000
2018	39,842,000	2049	51,203,000	2080	1,920,000
2019	42,604,000	2050	48,959,000	2081	1,561,000
2020	45,318,000	2051	46,660,000	2082	1,258,000
2021	47,857,000	2052	44,329,000	2083	1,003,000
2022	50,333,000	2053	41,973,000	2084	793,000
2023	52,791,000	2054	39,596,000	2085	621,000
2024	55,096,000	2055	37,238,000	2086	481,000
2025	57,247,000	2056	34,909,000	2087	370,000
2026	59,246,000	2057	32,617,000	2088	282,000
2027	61,160,000	2058	30,372,000	2089	213,000
2028	62,905,000	2059	28,190,000	2090	160,000
2029	64,376,000	2060	26,075,000	2091	119,000
2030	65,648,000	2061	24,031,000	2092	87,000
2031	66,679,000	2062	22,066,000	2093	64,000
2032	67,636,000	2063	20,186,000	2094	46,000
2033	68,375,000	2064	18,392,000	2095	33,000
2034	68,793,000	2065	16,687,000	2096	23,000
2035	68,977,000	2066	15,073,000	2097	16,000
2036	68,951,000	2067	13,551,000	2098	11,000
2037	68,656,000	2068	12,122,000	2099	8,000
2038	68,087,000	2069	10,789,000	2100	5,000
2039	67,373,000	2070	9,549,000	2101	3,000
2040	66,488,000	2071	8,403,000	2102	2,000
2041	65,373,000	2072	7,349,000	2103	1,000
2042	64,064,000	2073	6,385,000	2104	1,000
2043	62,566,000	2074	5,509,000		

* This is a closed group projection of benefit payments based on the plan participants as of the valuation date.



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