

ITEM FOR ACTION AT A FUTURE MEETING**AUTHORIZE PENSION OBLIGATION BONDS****SUMMARY**

Oregon law allows public bodies, including school districts, to issue bonds to finance pension liabilities. It is proposed that the school board authorize the district to issue pension bonds if the market conditions support the district's financial objectives.

BACKGROUND

Oregon law allows public bodies, including school districts, to issue bonds to finance pension liabilities. Pension obligation bonds are a financing tool that allows an Oregon public employer to borrow money through bonds and deposit the proceeds into a PERS side account.

The intended purpose is to reduce a portion of the employer's unfunded PERS liability and, in turn, its required PERS employer contribution rates. The strategy is based on the expectation that long-term investment earnings within the pension system will exceed the interest cost of the bonds. If investment returns outperform borrowing costs, the employer can reduce future pension contribution costs and improve long-term budget stability. Recent financial projections do not include an assumption of new side accounts, only the expiration of current ones.

The district is currently exploring whether issuing new pension obligation bonds may be beneficial if market conditions are favorable. It is proposed that the school board authorize the district to issue pension bonds if the market conditions support the district's financial objectives, within the limitations established in the resolution. Authorization would not obligate the district to issue bonds; rather, it would provide flexibility to do so should market conditions support the district's financial objectives.

RECOMMENDATION

This is presented for initial consideration and will come before the board for approval at its next meeting.

Belong. Believe. Achieve.